



SHOUGANG CONCORD GRAND (GROUP) LIMITED

Stock Code : 730

Interim Report
2019

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CORPORATE INFORMATION

Board of Directors

Xu Liang (*Chairman and Managing Director*)
Li Jing (*Executive Director*)
Liu Dongsheng (*Non-executive Director*)
You Wenli (*Non-executive 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*)
Li Jing

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

Tse Ching Wah

Auditor

Deloitte Touche Tohmatsu

CORPORATE INFORMATION (continued)

Principal Registrar	Estera Management (Bermuda) Limited Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office	Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda
Principal Office in Hong Kong	5/F., Bank of East Asia Harbour View Centre 56 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 2019. 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 2019

	NOTES	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3A		
Finance lease and entrusted loan payment interest income		26,471	46,858
Service income		4,026	7,245
Rental income		494	1,802
Total revenue		30,991	55,905
Cost of finance leases and services		(9,622)	(25,712)
Gross profit		21,369	30,193
Other income	4	12,011	5,870
Selling expenses		(218)	(234)
Administrative expenses		(26,104)	(33,474)
Changes in fair value of investment properties	11	3,200	4,847
Changes in fair value of financial assets at fair value through profit or loss		(220)	(612)
Other gains and loss		(5)	2,805
Impairment losses, net	16	1,810	(1,832)
Finance costs	5	(2,332)	(2,376)
Share of result of an associate		–	3,541
Impairment loss recognised on interest in an associate		–	(64,057)
Profit (loss) before tax		9,511	(55,329)
Income tax expense	6	(2,082)	(2,337)
Profit (loss) for the period	7	7,429	(57,666)

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

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Other comprehensive income (expense):			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		(762)	(30,571)
Share of translation difference of an associate		–	(4,496)
		(762)	(35,067)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on equity instrument at fair value through other comprehensive income		(673)	–
Fair value gain on debt instruments at fair value through other comprehensive income		1,673	–
		1,000	–
Other comprehensive income (expense) for the period		238	(35,067)
Total comprehensive income (expense) for the period		7,667	(92,733)
Profit (loss) for the period attributable to:			
Owners of the Company		2,015	(63,009)
Non-controlling interests		5,414	5,343
		7,429	(57,666)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		2,292	(90,675)
Non-controlling interests		5,375	(2,058)
		7,667	(92,733)
Earnings (loss) per share	9		
Basic and diluted		HK0.05 cents	HK(2.36) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	32,679	17,639
Right-of-use assets		5,144	–
Investment properties	11	54,705	66,705
Goodwill	12	50,848	50,848
Interest in an associate		1,591	1,591
Finance lease receivables	13	257,711	543,101
Equity instrument at fair value through other comprehensive income		10,885	11,558
Debt instruments at fair value through other comprehensive income		71,351	69,870
Financial assets at fair value through profit or loss		2,151	2,371
Deferred tax assets		17,550	18,006
		504,615	781,689
Current assets			
Finance lease receivables	13	683,051	505,042
Entrusted loan payment receivable		–	8,349
Trade receivables	14	1,348	–
Prepayments, deposits and other receivables		5,426	6,772
Bank balances and cash		1,069,389	806,150
		1,759,214	1,326,313
Non-current asset classified as held for sale	15	–	110,212
		1,759,214	1,436,525

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2019

	NOTES	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Current liabilities			
Other payables and accruals		16,029	20,256
Contract liabilities		1,607	3,221
Rental and other deposits received		23	310
Tax liabilities		21,908	25,336
Lease liabilities		2,164	–
Secured bank borrowings			
– due within one year	17	237,744	238,859
Security deposits received			
– due within one year	13	46,597	33,484
		326,072	321,466
Net current assets		1,433,142	1,115,059
Total assets less current liabilities		1,937,757	1,896,748
Capital and reserves			
Share capital	18	40,083	40,083
Retained earnings		470,716	467,698
Other reserves		875,761	831,907
Equity attributable to owners of the Company		1,386,560	1,339,688
Non-controlling interests		291,345	286,402
Total equity		1,677,905	1,626,090

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2019

	NOTES	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current liabilities			
Contract liabilities		446	771
Lease liabilities		3,034	–
Secured bank borrowings			
– due after one year	17	255,682	255,682
Security deposits received			
– due after one year	13	–	14,205
Deferred tax liability		690	–
		259,852	270,658
Total equity and liabilities		1,937,757	1,896,748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Contributed surplus reserve	Translation reserve	Share options reserve	Other reserve	Retained earnings	Sub-total		
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 January 2018 (audited)	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 expense for the period	-	-	-	-	-	(27,666)	-	-	-	(27,666)	(7,401)	(35,067)
Total comprehensive expense 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
At 1 January 2019 (audited)	40,083	770,228	26,065	(126)	115,576	(80,522)	686	-	467,698	1,339,688	286,402	1,626,090
Profit for the period	-	-	-	-	-	-	-	-	2,015	2,015	5,414	7,429
Exchange differences on translation to presentation currency	-	-	-	-	-	(723)	-	-	-	(723)	(39)	(762)
Fair value loss on equity instrument at fair value through other comprehensive income	-	-	-	(673)	-	-	-	-	-	(673)	-	(673)
Fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	1,673	-	-	-	-	-	1,673	-	1,673
Other comprehensive income (expense) for the period	-	-	-	1,000	-	(723)	-	-	-	277	(39)	238
Total comprehensive income (expense) for the period	-	-	-	1,000	-	(723)	-	-	2,015	2,292	5,375	7,667
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(432)	(432)
Capital contribution from shareholder (Note 15)	-	-	-	-	-	-	-	44,580	-	44,580	-	44,580
Reclassification adjustment to profit or loss on disposal of an associate (Note 15)	-	-	(18,673)	-	-	17,670	-	-	1,003	-	-	-
At 30 June 2019 (unaudited)	40,083	770,228	7,392	874	115,576	(63,575)	686	44,580	470,716	1,386,560	291,345	1,677,905

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2019

Notes:

- (a) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfer and utilisation as mentioned in Note (b) below.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	7,168	27,741
Decrease in finance lease receivables	109,187	288,897
Decrease in entrusted loan payment receivable	8,349	–
Increase in trade receivables	(1,332)	–
(Decrease) increase in other payables and accruals	(4,227)	5,766
Decrease in contact liabilities	(1,939)	(3,904)
Decrease in security deposits received	(1,092)	(11,764)
Interest paid	(11,954)	(28,088)
Other operating cash flows	(3,283)	(4,945)
NET CASH FROM OPERATING ACTIVITIES	100,877	273,703
INVESTING ACTIVITIES		
Purchase of structured deposits	(575,235)	(1,190,184)
Purchase of property, plant and equipment	(674)	(1,877)
Proceeds from redemption of structured deposits	574,829	1,180,773
Proceeds from disposal of non-current asset classified as held for sale	154,792	–
Interest received	11,570	4,660
Proceeds from disposal of property, plant and equipment	–	55
Withdrawal of restricted bank deposits	–	19,345
NET CASH FROM INVESTING ACTIVITIES	165,282	12,772
FINANCING ACTIVITIES		
Repayment of bank loans	(71,115)	(201,779)
Repayment of lease liabilities	(1,173)	–
Payment to non-controlling interest upon liquidation of a subsidiary	(432)	–
Bank loans raised	70,000	140,000
NET CASH USED IN FINANCING ACTIVITIES	(2,720)	(61,779)
NET INCREASE IN CASH AND CASH EQUIVALENTS	263,439	224,696
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	806,150	288,221
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(200)	(7,855)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	1,069,389	505,062

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For the contracts entered into on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of warehouse and office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and are measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment properties as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment properties”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The amounts of such adjustments are considered insignificant.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees. Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The amount of such adjustments are considered insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (continued)

2.1.2 Transition and summary of effects arising initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (continued)

2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (continued)

As a lessee (continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

At 1 January 2019, the Group recognised lease liabilities of HK\$6,246,000 and right-of-use assets at amount equal to the related lease liability by applying HKFRS 16.C8 (b) (ii) transition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (continued)

2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The lessee's incremental borrowing rate applied is 4.32%.

	<i>Note</i>	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018		391
Lease liabilities discounted at relevant incremental borrowing rate		388
Add: Termination option reasonably certain not to be exercised	<i>(a)</i>	5,858
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019		6,246
Analysed as:		
Current		2,118
Non-current		4,128
		6,246

Note:

- (a) The Group has used hindsight based on facts and circumstances as at 1 January 2019 in determining the lease term for the Group's lease with termination option.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (continued)

2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	6,246
By class:	
Land and buildings	6,246

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The application of HKFRS 16 as a lessor has no material impact on the condensed consolidated financial statements of the Group as at 1 January 2019 and during the current period as the amounts involved are not material.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (continued)

2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current asset			
Right-of-use assets	–	6,246	6,246
Current liability			
Lease liabilities	–	2,118	2,118
Non-current liability			
Lease liabilities	–	4,128	4,128

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

3A. REVENUE

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

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Finance lease and entrusted loan payment interest income	26,471	46,858
Property leasing income	494	1,802
	26,965	48,660
Revenue from contracts with customers		
Handling service fee income	1,954	7,245
Consultancy service fee income	2,072	–
Total revenue	30,991	55,905

The Group's handling service fee income recognised during the period of HK\$1,954,000 (30 June 2018: HK\$7,245,000) is included in finance leasing and other financial services segment, recognised over time on straight line basis and all derived from the People's Republic of China (the "PRC").

The Group's consultancy service fee income recognised during the period of HK\$2,072,000 (30 June 2018: HK\$Nil) is included in assets management segment, recognised over time on straight line basis and all derived from the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

3B. 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 services provided, which is also the basis of organisation of the Group, is set out below.

The Group is currently organised into three operating divisions – finance leasing and other financial services, property leasing and building management services and assets management where assets management segment is engaged in investment holding and provision of referral and corporate financial advisory services.

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 2019 (unaudited)

	Finance leasing and other financial services <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	28,425	494	2,072	30,991
Segment results	22,392	3,484	158	26,034
Other income				3,531
Central administration costs				(17,506)
Impairment loss reversed on debt instruments at fair value through other comprehensive income (“FVTOCI”)				4
Changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)				(220)
Finance costs				(2,332)
Profit before tax				9,511

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

3B. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2018 (unaudited)

	Finance leasing and other financial services <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	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 financial assets at FVTPL				(612)
Finance costs				(2,376)
Share of result of an associate				3,541
Impairment loss recognised on interest in an associate				(64,057)
Loss before tax				(55,329)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

3B. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Segment result represents the profit earned by each segment without allocation of central administration costs including directors' salaries, certain other income, impairment loss reversed on debt instruments at FVTOCI, changes in fair value of financial assets at FVTPL, finance costs, share of result of an associate and impairment loss recognised on interest in an associate. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

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

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Segment assets		
Finance leasing and other financial services	1,643,393	1,630,631
Property leasing and building management services	59,182	73,200
Assets management	81,523	79,374
Total segment assets	1,784,098	1,783,205
Interest in an associate	1,591	1,591
Equity instrument at FVTOCI	10,885	11,558
Debt instruments at FVTOCI	71,351	69,870
Financial assets at FVTPL	2,151	2,371
Non-current asset classified as held for sale	–	110,212
Other unallocated corporate assets	393,753	239,407
Consolidated assets	2,263,829	2,218,214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

3B. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Segment liabilities		
Finance leasing and other financial services	422,600	430,618
Property leasing and building management services	64	167
Assets management	350	279
Total segment liabilities	423,014	431,064
Unallocated secured bank borrowings	152,517	153,632
Other unallocated corporate liabilities	10,393	7,428
Consolidated liabilities	585,924	592,124

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, equity instrument at FVTOCI, debt instruments at FVTOCI, financial assets at FVTPL, non-current asset classified as held for sale and other unallocated corporate assets (including primarily unallocated property, plant and equipment, bank balances and cash and prepayments).
- all liabilities are allocated to reportable segments other than unallocated secured bank borrowings not for finance leasing and other financial services and other unallocated corporate liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

4. OTHER INCOME

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest income		
– bank deposits	2,464	406
– structured deposits	7,386	4,254
– debt instruments at FVTOCI	1,720	–
	11,570	4,660
Government grant (Note)	300	684
Others	141	526
	12,011	5,870

Note: During the six months ended 30 June 2019, government grant included subsidies and awards of HK\$300,000 (six months ended 30 June 2018: HK\$684,000) 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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest on bank borrowings	11,828	28,088
Interest on lease liabilities	126	–
Less: amounts included in cost of finance leases and services	(9,622)	(25,712)
	2,332	2,376

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax:		
Hong Kong	9	4
PRC Enterprise Income Tax ("EIT")	927	3,091
	936	3,095
Underprovision in prior years:		
PRC EIT	–	105
Deferred taxation	1,146	(863)
	2,082	2,337

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 2019 (six months ended 30 June 2018: 25%).

7. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived after charging (crediting):

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	836	562
Depreciation of right-of-use assets	1,102	–
Loss (gain) on disposal of property, plant and equipment	5	(55)
Gain on disposal of corporate membership	–	(2,750)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2019

8. DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$Nil).

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	2,015	(63,009)

	Six months ended 30 June	
	2019	2018
	'000	'000
	(unaudited)	(unaudited)
Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	4,008,289	2,672,192

For the six months ended 30 June 2019 and 2018, 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 2019, the Group had addition of property, plant and equipment of approximately HK\$674,000 (six months ended 30 June 2018: HK\$1,877,000).

In addition, during the current interim period, an investment property amounted to approximately HK\$15,200,000 (six months ended 30 June 2018: HK\$Nil) has been transferred to property, plant and equipment due to commencement of owner-occupation on 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

11. INVESTMENT PROPERTIES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Residential property units located in Hong Kong	25,500	37,500
Commercial property units located in Mainland China	29,205	29,205
	54,705	66,705

For the six months ended 30 June 2019, unrealised gain relating to investment properties amounted to HK\$3,200,000 (six months ended 30 June 2018: HK\$4,847,000) is included in the net increase in fair value recognised in profit or loss.

In addition, during the current interim period, an investment property amounted to approximately HK\$15,200,000 (six months ended 30 June 2018: HK\$Nil) has been transferred to property, plant and equipment due to commencement of owner-occupation on 31 March 2019.

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 2019 and 31 December 2018 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

12. GOODWILL

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

Goodwill has been allocated to two individual cash generating unit (“CGU”), comprising one subsidiary in finance leasing and other financial services segment and one subsidiary in assets management segment. During the six months ended 30 June 2019 and 2018, the Directors determine that there is no impairment of the CGU represented by finance leasing and other financial services segment and assets management segment.

13. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Finance lease receivables comprise:				
Within one year	707,435	540,339	672,067	493,717
In more than one year but not more than two years	100,359	393,899	87,257	371,959
In more than two years but not more than three years	92,476	96,062	85,227	85,915
In more than three years but not more than four years	87,364	90,251	85,227	85,227
	987,634	1,120,551	929,778	1,036,818
Overdue finance lease receivables	10,984	11,325	10,984	11,325
Less: Unearned finance lease income	(57,856)	(83,733)	N/A	N/A
Present value of minimum lease receipts	940,762	1,048,143	940,762	1,048,143

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

13. FINANCE LEASE RECEIVABLES (continued)

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Analysed as:		
Current finance lease receivables (receivable within 12 months)	683,051	505,042
Non-current finance lease receivables (receivable after 12 months)	257,711	543,101
	940,762	1,048,143
	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Fixed-rate finance lease receivables	465,960	549,830
Variable-rate finance lease receivables	474,802	498,313
	940,762	1,048,143

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

13. FINANCE LEASE RECEIVABLES (continued)

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

	30 June 2019 (unaudited)	31 December 2018 (audited)
Effective interest rates		
Fixed-rate finance lease receivables	5.0% to 12.0%	5.0% to 12.0%
Variable-rate finance lease receivables	5.0% to 6.9%	5.0% to 6.9%

Security deposits of HK\$46,597,000 (31 December 2018: HK\$47,689,000) 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 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Analysed as:		
Security deposits received – due within one year	46,597	33,484
Security deposits received – due after one year	–	14,205
	46,597	47,689

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 2019 and 31 December 2018.

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 impairment assessment.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

14. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
0-60 days	1,348	–

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 21 November 2018, SCG Investment (BVI) Limited (a wholly-owned subsidiary of the Company), as vendor, entered into sale and purchase agreement with Shougang Holding (Hong Kong) Limited ("Shougang Holding"), as purchaser, in relation to the disposal of Upper Nice Assets Ltd., which holds 619,168,023 shares of Global Digital Creations Holdings Limited ("GDC"), representing approximately 40.78% equity interest in GDC (the "Disposal with Shougang Holding"), at a consideration of HK\$154,792,006.

Resolutions regarding the Disposal with Shougang Holding were duly passed by the shareholders of the Company by way of poll at the special general meeting held on 28 December 2018 and the equity interest in GDC with carrying amount of HK\$110,212,000 has been transferred from interest in an associate to non-current asset classified as held for sale on 28 December 2018. The sale of the equity interest in GDC is highly probable as all the condition precedents have been met on the date of the aforesaid special general meeting. Details are set out in the Company's announcements dated 21 November 2018 and 9 December 2018.

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Interest in an associate	–	110,212

Non-current asset classified as held for sale is measured at the lower of its the then carrying amount and fair value less costs of disposal.

The disposal of 40.78% equity interest in GDC was completed on 8 January 2019. The difference between the carrying amount of non-current asset classified as held for sale and the sales proceeds, which amounted to HK\$44,580,000 has recognised in equity upon completion of the Disposal with Shougang Holding. The property revaluation reserve amounted to HK\$18,673,000 and translation reserve amounted to HK\$17,670,000 derived from share of associate's reserves in prior periods was reclassified to retained earnings upon disposal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Impairment loss reversed (recognised):		
– Finance lease receivables and entrusted loan payment receivable	1,822	(1,832)
– Debt instruments at FVTOCI	4	–
– Trade receivables	(16)	–
	1,810	(1,832)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

The Group always recognises 12-month expected credit loss ("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.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

17. SECURED BANK BORROWINGS

During the six months ended 30 June 2019, the Group raised bank loans amounting to HK\$70,000,000 (six months ended 30 June 2018: HK\$140,000,000). Certain existing bank loans were secured by the Group's certain finance lease receivables (Note 13) 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% and the variable People's Bank of China Lending Rate ("PBC rate") plus a percentage spread of 20% (six months ended 30 June 2018: Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1% to 2.5%, offshore Chinese Renminbi Hong Kong Interbank Offered Rate plus 1.1% and variable PBC rate plus a percentage spread of 20%) and are repayable in instalments over a period of 1 to 5 years. During the six months ended 30 June 2019, the Group repaid bank loans amounted to approximately HK\$71,115,000 (six months ended 30 June 2018: HK\$201,779,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	2,672,192,469	26,722
Issue of shares upon rights issue (<i>Note</i>)	1,336,096,234	13,361
At 31 December 2018 and 30 June 2019	4,008,288,703	40,083

Note: On 31 October 2018, the Company allotted and issued 1,336,096,234 new shares on the basis of one rights share for every two existing shares held at the subscription price of HK\$0.138 per rights share to those qualifying shareholders whose names appeared on the register of members of the Company at the close of business on 5 October 2018 ("Rights Issue"). These shares rank pari passu in all respects with the existing shares. The gross proceeds from the Rights Issue and transaction costs incurred amounted to HK\$184,381,000 and HK\$4,860,000, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

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 2019 were 3,586,880 (31 December 2018: 3,586,880).

No share option was granted or exercised during the six months ended 30 June 2019 and 2018.

During the six months ended 30 June 2019, no share options was lapsed (six months ended 30 June 2018: 36,550,000) and an amount of approximately HK\$Nil (six months ended 30 June 2018: HK\$9,432,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

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)

- 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).

Financial assets	30 June 2019	Fair value as at 31 December 2018	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Financial assets at FVTPL	Listed equity securities: – in Hong Kong: HK\$2,151,000	Listed equity securities: – in Hong Kong: HK\$2,371,000	Level 1	Quoted bid prices in an active market	N/A
Debt instruments at FVTOCI	Listed bonds: – in Hong Kong: HK\$71,351,000	Listed bonds: – in Hong Kong: HK\$69,870,000	Level 1	Quoted bid prices in an active market	N/A
Equity instrument at FVTOCI	Unlisted equity investment: – in the PRC: HK\$10,885,000	Unlisted equity investment: – in the PRC: HK\$11,558,000	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments	The higher the expected yield, the higher the fair value The higher the expected cash flows, the higher the fair value
				Key unobservable inputs: expected yield of 3.5%, and cash flows	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

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 2019, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$25,500,000 (31 December 2018: HK\$37,500,000) and building with a carrying value of approximately HK\$15,107,000 (31 December 2018: HK\$Nil) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$12,517,000 (31 December 2018: HK\$13,632,000).
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$335,180,000 (31 December 2018: HK\$335,876,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$340,909,000 (31 December 2018: HK\$340,909,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

22. RELATED PARTY DISCLOSURES

The Controlling Shareholder of the Company defined under the Listing Rules is Shougang Holding, which is a wholly-owned subsidiary of Shougang 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 controlled by Shougang Group Co., Ltd. and its subsidiaries (collectively referred as "Shougang Group"). The transactions and those balances with Shougang Group and other PRC government-related financial institutions are disclosed below:

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

	Finance income and other financial services income <i>(Note i)</i>		Consultancy fee expense <i>(Note ii)</i>		Management fee expense <i>(Note ii)</i>		Repayment of lease liabilities <i>(Note iii)</i>	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Shougang Holding	-	-	-	480	1,440	-	-	-
Subsidiaries of Shougang Group Co., Ltd.	15,479	38,375	-	-	-	-	1,173	-
Associates of Shougang Holding	733	1,492	-	-	-	236	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

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 relevant finance lease and loan agreements summarised as below:
 - (1) 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 to 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.
 - (2) The Company entered into the master facility 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.
 - (3) Pursuant to the finance lease agreement, South China Leasing would provide finance lease amounting to 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.
 - (4) The Company entered into the master facility 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 RMB5,000,000,000 for a term of 3 years commenced from June 2018.
 - (5) Pursuant to the finance lease agreement, South China Leasing will provide finance lease amounting to RMB60,000,000 to 成都首中易泊停車場管理有限公司, a subsidiary of Shougang Holding, for a term of 1 year commenced from February 2018.
- (ii) The transactions were carried out in accordance with the relevant consultancy and management service agreements.
- (iii) The Group entered into a lease agreement with a subsidiary of Shougang Group Co., Ltd. with a lease term of 3 years starting from 1 November 2018. The Group is required to make fixed monthly payments. During the current interim period, the Group recognised depreciation of right-of-use assets of HK\$1,102,000 and interest on lease liabilities of HK\$126,000. As at 30 June 2019, the corresponding carrying amounts of the right-of-use assets and lease liabilities are HK\$5,144,000 and HK\$5,198,000, respectively. The relevant rental deposit is included in prepayments, deposits and other receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2019

22. RELATED PARTY DISCLOSURES (continued)

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

Included in the finance lease receivables of the Group as disclosed in Note 13 are finance lease receivables from subsidiaries of Shougang Group Co., Ltd. and an associate of Shougang Holding with total carrying amount of HK\$571,855,000 (31 December 2018: HK\$641,510,000) and HK\$7,153,000 (31 December 2018: HK\$21,203,000), respectively.

(b) Investments in related companies

At 30 June 2019, the Group's financial assets at FVTPL included listed securities of 12,370,000 shares (31 December 2018: 12,370,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") with carrying amount of HK\$2,090,000 (31 December 2018: HK\$2,326,000), and 230,000 shares (31 December 2018: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International") with carrying amount of HK\$61,000 (31 December 2018: HK\$45,000). 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 2019, 98% and 97% (31 December 2018: 96% and 97%) respectively, of 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 2019 and 2018 is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	3,049	2,970
Post-employment benefit	18	19
	3,067	2,989

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

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*) (“Beijing Services New Shougang”) and 京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) (“Beijing West Business Factoring”) pursuant to which On Hing agreed to purchase 41.41% of the equity interest in Beijing West Business Factoring from Beijing Services New Shougang for RMB75,262,646 (“First Acquisition”), subject to certain conditions precedent. On 31 December 2018, supplemental agreement was entered to extend the long stop date of the First Acquisition from 31 December 2018 to 31 May 2019. On 31 May 2019, a further supplemental agreement was entered to extend the long stop date of the First Acquisition from 31 May 2019 to 31 May 2020 and the contract party was changed from On Hing to South China Leasing. The First Acquisition is completed on 24 July 2019. Details are set out in the announcement of the Company dated 13 June 2018, the circular of the Company dated 4 September 2018, the poll results of the Company dated 19 September 2018, and the announcements of the Company dated 31 December 2018, 31 May 2019 and 30 July 2019. The Directors are in the process of assessing the financial impact.

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.*) (“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 Jingxi Supply Chain and thereby increasing its shareholding in Jingxi Supply Chain from 10% to 70% (the “Capital Increase”). On 31 December 2018, a supplemental agreement was entered to change the contract party from Gold Cosmos to 悅康融滙投資諮詢(深圳)有限公司 (Ecko Investment Company Limited*). The Capital Increase is completed in July 2019. The Directors are in the process of assessing the financial impact.

In July 2019, pursuant to the general mandate given to the Directors, the Company repurchased a total of 23,649,000 ordinary shares of HK\$0.01 each of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$3,650,000 (exclude the trading fee). On 30 July 2019, 23,649,000 shares were cancelled. The number of issued shares of the Company as of 31 July 2019 was 3,984,639,703 shares.

- *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 (collectively referred to as the “Group”) set out on pages 4 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, Shougang Concord Grand prioritized the development of its supply chain financial services in the steel industry through serving the upstream and downstream customers of Shougang Group, and centered around core enterprises in the industry to expand supply chain management and financial service business. We centered around the supply chain's core enterprises to establish customer service system that complies with industry features, centered around product system that meets customer needs, and centered around transaction and information platform that satisfies product and service demands and IT system that serves the Group's business and control, so as to realize the Group's business transformation and combination on "industry + supply chain finance + IT technology".

FINANCIAL KEY PERFORMANCE INDICATORS

The financial key performance indicators are analysed as below:

	Six months ended 30 June		
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	+/(-) Change
Financial performance			
Revenue	30,991	55,905	-45%
Gross profit margin (%)	69%	54%	15%
Profit (loss) attributable to owners of the Company	2,015	(63,009)	Loss to profit
Basic earnings (loss) per share (<i>HK cents</i>)	0.05	(2.36)	Loss to profit
	30 June 2019 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>	+/(-) Change
Key financial indicators			
Total cash	1,069,389	806,150	33%
Total assets	2,263,829	2,218,214	2%
Total liabilities	585,924	592,124	-1%
Bank borrowings	493,426	494,541	–
Equity attributable to owners of the Company	1,386,560	1,339,688	3%
Current ratio	540%	447%	93%
Debt asset ratio	26%	27%	-1%

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL OVERVIEW

The Group recorded profit of approximately HK\$2,015,000 for the six months ended 30 June 2019 attributable to owners of the Company, when compared with a loss of approximately HK\$63,009,000 for the six months ended 30 June 2018 attributable to owners of the Company. The turnaround from loss to profit was mainly due to no impairment loss on interest in an associate had been recognised during the period under review as it did in the 2018 period. Revenue of the Group for the six months ended 30 June 2019 was approximately HK\$30,991,000, which represented a decrease of approximately 45% when compared with that of approximately HK\$55,905,000 for the same period of 2018. The decrease was mainly attributable to the decrease in income from the finance leasing and other financial services segment. The Group recorded a gross profit of approximately HK\$21,369,000 for the six months ended 30 June 2019, representing a gross profit margin of approximately 69%, which is an increase of approximately 15% when compared with the gross profit margin of approximately 54% for the same period of 2018.

The Group's revenue for the six months ended 30 June 2019 was approximately HK\$30,991,000, representing a decrease of approximately 45% when compared with that of approximately HK\$55,905,000 for the same period of 2018. The decrease was mainly attributable to the decrease in income from the finance leasing and other financial services segment by approximately HK\$25,678,000.

The Group made a gross profit of approximately HK\$21,369,000 for the six months ended 30 June 2019, representing a gross profit margin of approximately 69%, which is an increase of 15% when compared with the gross profit margin of approximately 54% for the same period of 2018 which was mainly attributable to the increase in gross profit margin from the finance leasing and other financial services segment.

The Group's administration expenses for the six months ended 30 June 2019 amounted to approximately HK\$26,104,000, representing a decrease of approximately 22% when compared with that of approximately HK\$33,474,000 for the same period of 2018. The decrease was mainly due to the fall in professional services fee driven by business development.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL OVERVIEW (continued)

On 21 November 2018, SCG Investment (BVI) Limited (a wholly-owned subsidiary of the Company), as vendor, entered into a sale and purchase agreement with Shougang Holding (Hong Kong) Limited, as purchaser, in relation to the restructuring by way of disposal of Upper Nice Assets Ltd. (the "Disposal") which holds 619,168,023 shares, representing approximately 40.78% equity interests of Global Digital Creations Holdings Limited (Stock Code: 8271). The Disposal was approved at the special general meeting held on 28 December 2018 and was completed on 8 January 2019. Accordingly, no impairment loss on interest in an associate had been recognised during the period under review as an impairment loss of approximately HK\$64,057,000 was recognised for the six months ended 30 June 2018.

Basic earnings per share of the Group for the six months ended 30 June 2019 was HK0.05 cents (six months ended 30 June 2018: loss per share was HK2.36 cents).

BUSINESS REVIEW AND OUTLOOK

The Group strived to promote the integration of industry sectors with finance function, through supply chain technology services, financial services and assets management services as our core business and competitive edge in the market. The Group will stick fast to the strategic transformation target of "supply chain technology finance", leverage on its strength in the smart supply chain management service platform supported by internet of things and big data, improve supply chain transaction efficiency and reduce costs of financial risks management with technology based financial engineering solutions, and concentrate its efforts on expanding its finance lease, factoring, loan and assets management business.

During the period under review, revenue from the finance leasing and other financial services segment decreased by approximately HK\$25,678,000 to approximately HK\$28,425,000 (six months ended 30 June 2018: HK\$54,103,000), while the segment result recorded a profit of approximately HK\$22,392,000 (six months ended 30 June 2018: HK\$23,249,000). The decrease in revenue and segment result from the finance leasing and other financial services segment were mainly attributed to the slowdown of finance lease project development.

During the period under review, the assets management segment recorded a revenue of approximately HK\$2,072,000 (six months ended 30 June 2018: HK\$Nil). The assets management segment result recorded a profit of approximately HK\$158,000 (six months ended 30 June 2018: HK\$295,000). During the period under review, the assets management segment provided clients with financial consulting services such as high-quality equity assets investment allocation, assets appreciation and asset-securitization trading arrangement. The decrease in segment result profit was mainly attributable to the allocation of more resources in the business development of assets management segment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW AND OUTLOOK (continued)

During the period under review, revenue from the property leasing and building management services segment decreased by approximately 73% to approximately HK\$494,000 (six months ended 30 June 2018: HK\$1,802,000), while the segment result recorded a profit of approximately HK\$3,484,000 (six months ended 30 June 2018: HK\$6,461,000). The decrease in revenue from the property leasing and building management services segment was mainly attributed to the decrease in rentable floor area of the Group. 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\$3,200,000 during the period under review (six months ended 30 June 2018: fair value increase of HK\$4,847,000).

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 2019 as compared to 31 December 2018 is summarized below:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Total borrowings		
Current borrowings	237,744	238,859
Non-current borrowings	255,682	255,682
Sub-total	493,426	494,541
Total cash		
Bank balances and cash	1,069,389	806,150
Total equity	1,677,905	1,626,090
Total assets	2,263,829	2,218,214
Financial leverage		
Current ratio	540%	447%
Debt asset ratio	26%	27%

On 31 October 2018, the Company issued 1,336,096,234 new shares of the Company by way of rights issue, and the net proceeds from rights issue was approximately HK\$179,521,000 (the "Rights Issue"). The Company completed the issue of rights shares to fund the acquisition and capital increase as set out in the circular dated 4 September 2018 (the "Acquisition and Capital Increase"). The net proceeds from the issue of right shares of approximately HK\$179,521,000 have been fully utilised for the Acquisition and Capital Increase. Details of the amendments of the Acquisition and Capital Increase were disclosed in the announcement of the Company dated 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

As at 30 June 2019, the Group had bank balances and cash of approximately HK\$1,069,389,000 (31 December 2018: HK\$806,150,000), which were mainly denominated in Hong Kong dollars and Renminbi. The increase was mainly attributable to net cash from operating activities of approximately HK\$100,877,000 and proceeds from disposal of non-current asset classified as held for sale of approximately HK\$154,792,000.

As at 30 June 2019, the Group's borrowings amounted to approximately HK\$493,426,000, of which approximately HK\$237,744,000 were repayable within twelve months from 30 June 2019 and approximately HK\$255,682,000 were repayable after twelve months from 30 June 2019. All loans bore interest at market rates.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK\$1,386,560,000 as at 30 June 2019 (31 December 2018: HK\$1,339,688,000). The increase was mainly due to capital contribution from shareholder of approximately HK\$44,580,000 during the period under review and the profit attributable to owners of the Company for the period ended 30 June 2019 of approximately HK\$2,015,000. The Company did not issue any new shares during the period under review. The issued share capital of the Company was approximately HK\$40,083,000 (represented by approximately 4,008,289,000 issued ordinary shares).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

During the six months ended 30 June 2019, the Group had no material acquisition, disposals and significant investment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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*) (“Beijing Services New Shougang”) and 京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) (“Beijing West Business Factoring”) pursuant to which On Hing agreed to purchase 41.41% of the equity interest in Beijing West Business Factoring from Beijing Services New Shougang for RMB75,262,646 (“First Acquisition”), subject to certain conditions precedent. On 31 December 2018, supplemental agreement was entered to extend the long stop date of the First Acquisition from 31 December 2018 to 31 May 2019. On 31 May 2019, a further supplemental agreement was entered to extend the long stop date of the First Acquisition from 31 May 2019 to 31 May 2020 and the contract party was changed from On Hing to South China Leasing. The First Acquisition is completed on 24 July 2019. Details are set out in the announcement of the Company dated 13 June 2018, the circular of the Company dated 4 September 2018, the poll results of the Company dated 19 September 2018, and the announcements of the Company dated 31 December 2018, 31 May 2019 and 30 July 2019. The Directors are in the process of assessing the financial impact.

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.*) (“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 Jingxi Supply Chain and thereby increasing its shareholding in Jingxi Supply Chain from 10% to 70% (the “Capital Increase”). On 31 December 2018, a supplemental agreement was entered to change the contract party from Gold Cosmos to 悅康融滙投資諮詢(深圳)有限公司 (Ecko Investment Company Limited*). The Capital Increase is completed in July 2019. The Directors are in the process of assessing the financial impact.

In July 2019, pursuant to the general mandate given to the Directors, the Company repurchased a total of 23,649,000 ordinary shares of HK\$0.01 each of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$3,650,000 (exclude the trading fee). On 30 July 2019, 23,649,000 shares were cancelled. The number of issued shares of the Company as of 31 July 2019 was 3,984,639,703 shares.

* For identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CHARGE ON ASSETS

As at 30 June 2019, the Group had the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$25,500,000 and the Group's building with a carrying value of approximately HK\$15,107,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$12,517,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$335,180,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$340,909,000.

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 2019, the Group has no significant foreign exchange exposure.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019.

EMPLOYEES

As at 30 June 2019, the Group employed 45 (31 December 2018: 46) 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 individually.

During the six months ended 30 June 2019, 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 2019 (2018: 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 2019, 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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code").

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2019, 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 30.06.2019	Note(s)
Shougang Group Co., Ltd. ("Shougang Group")	Interests of controlled corporations	2,425,736,972	60.52%	1
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	2,025,736,972	50.53%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	2,025,736,972	50.53%	1
Beijing Shougang Fund Co., Ltd. ("Shougang Fund")	Interests of controlled corporations	400,000,000	9.98%	1
Jingxi Holdings Limited ("Jingxi Holding")	Beneficial owner	400,000,000	9.98%	1
Yip Wang Ngai	Interests of controlled corporation	213,600,000	5.33%	2
HY Holdings Limited ("HY Holdings")	Beneficial owner	213,600,000	5.33%	2
Mak Siu Hang Viola	Interests of controlled corporations	245,419,538	6.12%	3
VMS Investment Group Limited ("VMS Investment")	Beneficial owner	183,750,000	4.58%	3
Master Competent Limited ("Master Competent")	Interests of controlled corporations	61,669,538	1.54%	3

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 30.06.2019	Note(s)
VMS Holdings Limited ("VMS Holdings")	Interests of controlled corporations	61,669,538	1.54%	3
Fastlane Global Investments Limited ("Fastlane Global")	Interests of controlled corporations	61,669,538	1.54%	3
VMS Securities Holdings Limited ("VMS Securities Holding")	Interests of controlled corporation	61,669,538	1.54%	3
VMS Financial Group Limited ("VMS Financial")	Interests of controlled corporation	61,669,538	1.54%	3
VMS Securities Limited ("VMS Securities")	Beneficial owner	61,669,538	1.54%	3

Notes:

- Shougang Group indicated in its disclosure form dated 15 February 2019 (being the latest disclosure form filed up to 30 June 2019) that as at 13 February 2019, its interest in the Company was held by Shougang Holding and Shougang Fund respectively, wholly-owned subsidiaries of Shougang Group. Shougang Holding's interest in the Company was the Shares held by Wheeling, a wholly-owned subsidiary of Shougang Holding, and Shougang Fund's interest in the Company was the Shares held by Jingxi Holding, a wholly-owned subsidiary of Shougang Fund.
- Mr. Yip Wang Ngai indicated in his disclosure form dated 27 February 2019 (being the latest disclosure form filed up to 30 June 2019) that as at 31 October 2018, his interest in the Company was held by HY Holdings which in turn was held as to 80% by Mr. Yip Wang Ngai.
- Ms. Mak Siu Hang Viola indicated in her disclosure form dated 18 February 2019 (being the latest disclosure form filed up to 30 June 2019) that as at 18 February 2019, (i) VMS Securities, which is a company controlled by her, holds 61,669,538 Shares; and (ii) VMS Investment, which is a company wholly owned by her, holds 183,750,000 Shares. VMS Securities is wholly owned by VMS Financial, which in turn is wholly owned by VMS Securities Holdings and in turn, wholly owned by Fastlane Global. Fastlane Global is wholly owned by VMS Holdings. VMS Holdings is owned as to 59.80% by Ms. Mak Siu Hang Viola and 32.20% by Master Competent, which is wholly owned by Ms. Mak Siu Hang Viola.

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

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

Save as disclosed above, as at 30 June 2019, 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 2019. Details of the movements in the share options under the 2002 Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company		Date of grant	Exercise period	Exercise price per share
	At the beginning/ end of the period				
Employees of the Group	3,586,880		14.12.2010	14.12.2010 – 13.12.2020	HK\$0.530
	<u>3,586,880</u>				

SHARE OPTIONS (continued)

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2019, 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 2019 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 15 August 2019 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2019.

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 Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules") during the six months ended 30 June 2019.

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 2019.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

- (a) Pursuant to the facility letter entered into between SCG Finance Corporation Limited ("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.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES (continued)

- (b) Pursuant to the facility letter entered into between SCG Finance and China Construction Bank (Asia) Corporation Limited (“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 “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 CCB Facility. Breach of such condition will constitute an event of default upon which CCB may cancel the CCB Facility or terminate the CCB Facility and demand all outstanding amount under the CCB Facility be immediately due and payable. The 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 2018 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:–

- (a) Ms. You Wenli has been appointed as a Non-executive Director of the Company with effect from 31 May 2019.
- (b) Ms. Li Jing has been appointed as an Executive Director of the Company and the member of the executive committee of the Board (“Executive Committee”) with effect from 22 August 2019. Ms. Li Jing continues to serve as the deputy general manager of the Company after her appointment.
- (c) Mr. Liu Dongsheng has been re-designated from an Executive Director and Managing Director of the Company to a Non-executive Director of the Company and resign as a member of the Executive Committee, with effect from 22 August 2019.
- (d) Mr. Xu Liang performs both the roles of the Managing Director of the Company and the Chairman of the Board with effect from 22 August 2019.

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 and Managing Director

Hong Kong, 22 August 2019