首 長 四 方（集 團）有 限 公 司*

SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Grand (Group) Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013. 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 2013

		Six months ended 30 June	
		2013	2012
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**29,188**	29,838
Cost of sales		**(19,327)**	(18,959)
Gross profit		**9,861**	10,879
Other income	*4*	**2,631**	4,527
Distribution costs and selling expenses		**(351)**	(416)
Administrative expenses		**(16,525)**	(15,032)
Increase in fair value of investment properties		**3,600**	5,700
Changes in fair value of held-for-trading investments		**(3,300)**	411
Finance costs	*5*	**(177)**	(355)
Share of results of an associate		**9,886**	(3,686)
Profit before tax		**5,625**	2,028
Income tax (expense) credit	*6*	**(29)**	139
Profit for the period	*7*	**5,596**	2,167

	NOTE	Six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	 2012 *HK$'000* (unaudited)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation		**3,100**	(2,886)
Share of translation difference of an associate		**4,580**	(3,239)
		7,680	(6,125)
Total comprehensive income (expense) for the period		**13,276**	(3,958)
Profit (loss) for the period attributable to:			
Owners of the Company		**5,597**	2,146
Non-controlling interests		**(1)**	21
		5,596	2,167
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**13,268**	(3,969)
Non-controlling interests		**8**	11
		13,276	(3,958)
Earnings per share	*8*		
Basic (HK cent)		**0.49**	0.19
Diluted (HK cent)		**0.49**	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	NOTES	**30 June 2013 *HK$'000* (unaudited)**	31 December 2012 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*9*	**31,183**	31,295
Investment properties	*10*	**92,000**	88,400
Goodwill	*11*	**52,935**	52,935
Interests in associates	*12*	**292,478**	278,012
Finance lease receivables	*13*	**295,170**	279,412
Restricted bank deposits	*18 (iii)*	**42,501**	31,970
Available-for-sale investments		**5,317**	5,251
Deferred tax assets		**396**	275
		811,980	767,550
Current assets			
Inventories		**3,534**	3,848
Amount due from an associate		**388**	388
Finance lease receivables	*13*	**247,067**	223,540
Prepayments, deposits and other receivables		**6,233**	6,482
Held-for-trading investments		**39,623**	39,928
Structured deposits	*14*	**25,316**	12,500
Bank balances and cash		**301,118**	316,267
		623,279	602,953
Current liabilities			
Other payables and accruals		**14,881**	13,558
Income received in advance		**3,860**	4,682
Rental and management fee in advance and other deposits received		**658**	488
Tax liabilities		**12,359**	12,113
Secured bank borrowings – due within one year	*15*	**236,962**	217,995
		268,720	248,836
Net current assets		**354,559**	354,117
Total assets less current liabilities		**1,166,539**	1,121,667

	NOTES	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Capital and reserves			
Share capital	*16*	**11,522**	11,522
Retained earnings		**645,134**	639,330
Other reserves		**202,068**	194,604
Equity attributable to owners of the Company		**858,724**	845,456
Non-controlling interests		**769**	761
Total equity		**859,493**	846,217
Non-current liabilities			
Income received in advance		**4,904**	3,799
Secured bank borrowings – due after one year	*15*	**259,739**	241,099
Security deposits received	*17*	**42,403**	30,552
		307,046	275,450
Total equity and liabilities		**1,166,539**	1,121,667

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company								
	Share capital	Share premium	Contributed surplus reserve	Translation reserve	Share options reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012 (audited)	11,522	1,007	115,576	42,555	28,504	637,306	836,470	728	837,198
Exchange differences on translation	–	–	–	(2,876)	–	–	(2,876)	(10)	(2,886)
Share of translation difference of an associate	–	–	–	(3,239)	–	–	(3,239)	–	(3,239)
Profit for the period	–	–	–	–	–	2,146	2,146	21	2,167
Total comprehensive (expense) income for the period	–	–	–	(6,115)	–	2,146	(3,969)	11	(3,958)
At 30 June 2012 (unaudited)	11,522	1,007	115,576	36,440	28,504	639,452	832,501	739	833,240
At 1 January 2013 (audited)	11,522	1,007	115,576	49,517	28,504	639,330	845,456	761	846,217
Exchange differences on translation	–	–	–	3,091	–	–	3,091	9	3,100
Share of translation difference of an associate	–	–	–	4,580	–	–	4,580	–	4,580
Profit (loss) for the period	–	–	–	–	–	5,597	5,597	(1)	5,596
Total comprehensive income for the period	–	–	–	7,671	–	5,597	13,268	8	13,276
Lapse of share options	–	–	–	–	(207)	207	–	–	–
At 30 June 2013 (unaudited)	11,522	1,007	115,576	57,188	28,297	645,134	858,724	769	859,493

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**6,428**	13,259
(Increase) decrease in finance lease receivables	**(32,919)**	142,300
Interest paid	**(15,955)**	(17,469)
Other operating cash flows	**14,208**	(10,856)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(28,238)**	127,234
INVESTING ACTIVITIES		
Placement of restricted bank deposits	**(10,126)**	(475)
Withdrawal of restricted bank deposits	**–**	9,756
Interest received	**2,125**	3,157
Purchase of property, plant and equipment	**(230)**	(52)
Proceeds from disposal of assets classified as held for sale	**–**	118,312
Purchase of structured deposits	**(25,316)**	(24,390)
Proceeds from redemption of structured deposits	**12,658**	13,414
Repayment from an investee	**–**	1,209
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(20,889)**	120,931
FINANCING ACTIVITIES		
New bank loans raised	**149,266**	4,568
Repayment of bank loans	**(117,100)**	(242,968)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**32,166**	(238,400)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(16,961)**	9,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**316,267**	291,868
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,812**	(1,631)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**301,118**	300,002

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatory effective for the current interim period.

Except as described below, the application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 ***Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 ***Interim Financial Reporting***
(as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the *Annual Improvements to HKFRSs 2009 – 2011 Cycle* for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed consolidated financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there has not been a material change from the amounts disclosed in the last annual financial statements for each reportable segment, the Group has not included total assets and total liabilities information as part of segment information.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – property leasing and building management services, finance leasing and assets management where assets management segment is engaged in investment holding and trading of goods. These divisions are the basis that is regularly reviewed by the CODM in order to allocate resources to the segment and to assess its performance.

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

Six months ended 30 June 2013 (unaudited)

	Property leasing and building management services *HK$'000*	**Finance leasing** *HK$'000*	**Assets management** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**1,337**	**23,395**	**4,456**	**29,188**
Segment result	**4,644**	**4,425**	**106**	**9,175**
Other income				**1,648**
Central administration costs				**(11,607)**
Changes in fair value of held-for-trading investments				**(3,300)**
Finance costs				**(177)**
Share of profit of an associate				**9,886**
Profit before tax				**5,625**

Six months ended 30 June 2012 (unaudited)

	Property leasing and building management services *HK$'000*	Finance leasing *HK$'000*	Assets management *HK$'000*	Consolidated *HK$'000*
Segment revenue	1,998	24,729	3,111	29,838
Segment result	7,339	5,250	457	13,046
Other income				2,988
Central administration costs				(10,376)
Changes in fair value of held-for-trading investments				411
Finance costs				(355)
Share of loss of an associate				(3,686)
Profit before tax				2,028

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

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

During the six months ended 30 June 2013, the Group had no material change in segment assets and segment liabilities.

4. OTHER INCOME

	Six months ended 30 June	
	2013 ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited)
Interest income from bank deposits	**1,687**	2,739
Interest income from structured deposits	**438**	418
Dividend income from held-for-trading investments	**486**	1,345
Others	**20**	25
	2,631	4,527

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	**177**	355

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
The People's Republic of China Enterprise Income Tax ("PRC EIT")	**55**	79
Hong Kong	**95**	90
	150	169
Deferred taxation:		
Current period	**(121)**	(308)
	29	(139)

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

Under the Law of The People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of certain subsidiaries of the Group operating in the PRC, for the purpose of this announcement does not include Hong Kong, Macau and Taiwan ("Mainland China"), was 25% for the six months ended 30 June 2013 (Six months ended 30 June 2012: 25%).

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**726**	676

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**5,597**	2,146
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,152,192**	1,152,192
Effect of dilutive potential ordinary shares:		
Share options *(Note)*	**1,277**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,153,469**	1,152,192

Note: The computation of diluted earnings per share for the six months ended 30 June 2013 did not include the potential ordinary shares arising from the Company's certain share options (Six months ended 30 June 2012: all share options) because the exercise prices of these share options were higher than the average market price of the shares of the Company for the period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of approximately HK$230,000 (Six months ended 30 June 2012: HK$52,000).

10. INVESTMENT PROPERTIES

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Investment properties located in Hong Kong, at fair value	**92,000**	88,400

The fair value of the Group's investment properties located in Hong Kong at 30 June 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on those dates by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. 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. The resulting increase in fair value of investment properties of approximately HK$3,600,000 (Six months ended 30 June 2012: HK$5,700,000) has been credited to profit or loss for the period.

11. GOODWILL

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

Goodwill has been allocated to the cash generating unit ("CGU") represented by finance leasing division. During the six months ended 30 June 2013, the directors of the Company ("the Directors") determine that there is no impairment of the CGU represented by finance leasing division.

12. INTERESTS IN ASSOCIATES

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Cost of investments in associates		
Listed in Hong Kong	**186,613**	186,613
Share of post-acquisition results	**184,678**	174,792
Share of post-acquisition exchange reserve	**18,181**	13,601
	389,472	375,006
Impairment loss	**(96,994)**	(96,994)
	292,478	278,012
Fair value of listed investment in Hong Kong	**185,750**	106,497
Carrying amount of interest in an associate listed in Hong Kong	**292,478**	278,012

As at 30 June 2013 and 31 December 2012, the Group held 40.78% of nominal value of issued share capital of Global Digital Creation Holdings Limited ("GDC"), a company listed on The Stock Exchange of Hong Kong Limited.

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

The recoverable amount of the investment in GDC as at 30 June 2013 has been determined based on the value in use calculations. As at 30 June 2013, no further impairment loss has been recognised in relation to the interest in GDC.

The recoverable amount of the investment in GDC as at 30 June 2013 has been determined based on the Group's share of the present value of the estimated future cash flows expected to be generated by GDC, including the cash flows from the operations of each of the business units consisting of the computer graphic ("CG") creation and production, CG training courses business, the investment in cultural park business and the property leasing business. The cash flow projections for the CG creation and production, and CG training courses business are based on financial budgets approved by management covering a 5-year period and a discount rate of 19% (31 December 2012: 19%) and a 3.5% (31 December 2012: 3.5%) growth rate after the 5-year period. Other key assumptions for the cash flow projections relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

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

13. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Finance lease receivables comprise:				
Within one year	**282,111**	258,649	**247,067**	223,540
In more than one year but not more than two years	**171,645**	151,395	**152,565**	133,774
In more than two years but not more than three years	**107,628**	124,277	**100,167**	117,037
In more than three years but not more than four years	**32,799**	29,615	**30,422**	28,601
In more than four years but not more than five years	**12,399**	–	**12,016**	–
	606,582	563,936	**542,237**	502,952
Less: Unearned finance lease income	**(64,345)**	(60,984)	**N/A**	N/A
Present value of minimum lease receipts	**542,237**	502,952	**542,237**	502,952
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**247,067**	223,540
Non-current finance lease receivables (receivable after 12 months)			**295,170**	279,412
			542,237	502,952
Fixed-rate finance lease receivables			**3,712**	6,697
Variable-rate finance lease receivables			**538,525**	496,255
			542,237	502,952

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

	30 June 2013	31 December 2012
Fixed-rate finance lease receivables	**11% to 11.5%**	11% to 11.5%
Variable-rate finance lease receivables	**6% to 15%**	6% to 15%

During the six months ended 30 June 2013, the Directors reviewed the credit quality of the finance lease receivables according to their past repayment history. No impairment loss has been recognised for the six months ended 30 June 2013 and 2012.

For finance lease receivables which are neither past due nor impaired, the Directors assessed that the balances are with good credit quality according to their past repayment history.

14. STRUCTURED DEPOSITS

The structured deposits at 30 June 2013 consist of deposits of HK$25,316,000 (31 December 2012: HK$12,500,000) denominated in Renminbi and issued by banks in Mainland China. The structured deposits carry interest at expected interest rate of 3.3% to 3.9% (31 December 2012: 2.7%) per annum, depending on the market price of the underlying money market instruments and debt instruments invested by the banks, payable on maturity ranging from 90 to 91 days (31 December 2012: 63 days) from the date of purchase. The structured deposits are designated at fair value through profit or loss on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are measured by reference to discounted cash flow derived from the expected yields of money market instruments and debt instruments invested by the banks at 30 June 2013, approximate their carrying values.

No change in fair value up to the date of redemption has been recognised for the six months ended 30 June 2013 and 2012 as the effect is not significant.

15. SECURED BANK BORROWINGS

During the six months ended 30 June 2013, the Group obtained new bank loans amounted to approximately HK$149,266,000 (Six months ended 30 June 2012: HK$4,568,000). The proceeds were wholly used for finance lease operations. The loans were secured by the Group's certain finance lease receivables (Note 13) and carried interest at variable rate of the People's Bank of China plus a percentage up to 10% and are repayable in instalments over a period of 5 years. During the period, the Group repaid bank loans amounted to approximately HK$117,100,000 (Six months ended 30 June 2012: HK$242,968,000).

16. SHARE CAPITAL

Issued share capital as at 30 June 2013 amounted to HK$11,522,000. There were no movements in the issued share capital of the Company in the current and prior interim period.

On 18 June 2013, the shareholders of the Company approved the increase in the authorised share capital of the Company from HK$20,000,000 divided into 2,000,000,000 ordinary shares to HK$100,000,000 divided into 10,000,000,000 ordinary shares at the Company's annual general meeting.

17. SECURITY DEPOSITS RECEIVED

Security deposits of approximately HK$42,403,000 (31 December 2012: HK$30,552,000) have been received by the Group to secure the finance lease receivables and classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements which is over one year.

18. CHARGE ON ASSETS

As at 30 June 2013, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$92,000,000 (31 December 2012: HK$88,400,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$27,996,000 (31 December 2012: HK$29,262,000).

(ii) The Group's finance lease receivables with a carrying value of approximately HK$468,977,000 (31 December 2012: HK$438,513,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$468,705,000 (31 December 2012: HK$429,832,000).

(iii) There were bank deposits of approximately HK$42,501,000 (31 December 2012: HK$31,970,000) restricted for the repayment of part of bank borrowings set out in (ii) above, which will be released upon full settlement of the relevant bank borrowing with outstanding amount of approximately HK$279,688,000 (31 December 2012: HK$242,591,000).

19. RELATED PARTY TRANSACTIONS

Apart from the amount due from an associate disclosed in the condensed consolidated statement of financial position on pages 3 and 4, the Group also entered into other transactions with related parties during the period as disclosed below.

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

(a) Transactions with related parties

	Rental income *(Note a)*		Consultancy fee expense *(Note b)*	
	Six months ended 30 June		**Six months ended 30 June**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Shougang Holding	**–**	–	**480**	480
Li Shaofeng, the Chairman of the Company	**71**	71	**–**	–

Notes:

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

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

At 30 June 2013, the Group's held-for-trading investments included listed securities of 14,870,000 shares (31 December 2012: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") and 230,000 shares (31 December 2012: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International"). Shougang Century and Shougang International are associates of Shougang Holding.

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

Apart from the transactions with the related parties as disclosed in Note 19(a), the Group has entered into various transactions in its ordinary course of business including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As of 30 June 2013, 100%, 100%, 99% and 94% (31 December 2012: 100%, 100%, 99% and 94%) of restricted bank deposits, structured deposits, bank balances and bank borrowings are held with these state-controlled financial institutions respectively.

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

The remuneration of the Directors and other members of key management during the six months ended 30 June 2013 is as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**2,975**	3,875
Post-employment benefits	**149**	171
	3,124	4,046

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

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The global economy moves along the track of low growth while in major advanced economies the recovery strength remains fragile in 2013. Facing a fluctuating market environment, the Group achieves stable and steady development with a pace of progress while maintaining stability. The Group's profit attributable to owners of the Company for the six months ended 30 June 2013 was approximately HK$5,597,000, representing an increase of approximately 161% when compared with that profit of approximately HK$2,146,000 for the six months ended 30 June 2012. The increase was mainly attributable to the Group's share of results of associates turning from loss to profit.

The revenue of the Group for the six months ended 30 June 2013 was approximately HK$29,188,000, which represented a decrease of approximately 2% when compared with the revenue of approximately HK$29,838,000 for the corresponding period in 2012. The decrease was mainly attributable to the decrease in income from the finance leasing segment and the property leasing and building management services segment.

The Group recorded a gross profit of approximately HK$9,861,000 for the six months ended 30 June 2013, representing a gross profit margin of approximately 34%, which was a slight decline when comparing with the gross profit margin of approximately 36% for the corresponding period in 2012.

The Group recorded a share of results of associates turning from loss to profit of approximately HK$9,886,000 for the six months ended 30 June 2013 (Six months ended 30 June 2012: loss of HK$3,686,000).

Basic earnings per share of the Group for the six months ended 30 June 2013 was HK0.49 cents (Six months ended 30 June 2012: HK0.19 cents).

Business Review and Outlook

Property Investment and Management

During the period under review, revenue from the property leasing and building management services segment decreased by 33% to approximately HK$1,337,000 (Six months ended 30 June 2012: HK$1,998,000), while the segment result recorded a profit of approximately HK$4,644,000 (Six months ended 30 June 2012: HK$7,339,000). The decrease in revenue from the property leasing and building management services segment was mainly attributable to changes in market environment that resulted in the decrease in rental income. The decrease in segment result was mainly attributable to the effect of the local property market having reached a relatively high level that resulted in the decrease in fair value gain of investment properties of the Group.

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

Finance leasing

During the period under review, revenue from the finance leasing segment decreased by 5% to approximately HK$23,395,000 (Six months ended 30 June 2012: HK$24,729,000), while the segment result recorded a profit of approximately HK$4,425,000 (Six months ended 30 June 2012: HK$5,250,000). The decrease in revenue from the finance leasing segment was mainly attributable to the decrease in interest-bearing finance lease receivables average balance and the reduction in the benchmark interest rate in Mainland China ("Mainland China", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan). The decrease in segment result was mainly attributable to the decrease in interest income.

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

In response to the fluctuated and unbalanced credit environment in Mainland China and the changing international economic environment, based on the ever strengthening and improving risk control mechanism, the finance leasing segment insisted on optimizing management system, enriching business team to solidify existing clients and proactively explore customers with good quality so as to promote an expanded business scale and increase overall revenue.

Assets Management

During the period under review, revenue from the assets management segment increased by 43% to approximately HK$4,456,000 (Six months ended 30 June 2012: HK$3,111,000), while the segment result recorded a profit of approximately HK$106,000 (Six months ended 30 June 2012: HK$457,000). The assets management segment achieved stable business growth and generated stable income from its brand management service. The decrease in segment result was mainly attributable to changes in market environment that resulted in the decrease in gross profit.

Relying on the good business base and network built up in the past several years in Mainland China, the Group will pay close attention to the economic development in Mainland China by tracking industries with good growth potential, capturing opportunity to develop new projects, promoting positive interaction among projects and enriching the assets management business at the same time.

Liquidity, Financial Resources and Financing Activities

The Group aimed to maintain stable funding sources and financing is arranged to match business characteristics and cash flows. The financial leverage of the Group as at 30 June 2013 as compared to 31 December 2012 is summarized below:

	30 June 2013	31 December 2012
	HK$'000	HK$'000
Total borrowings		
Current borrowings	**236,962**	217,995
Non-current borrowings	**259,739**	241,099
sub-total	**496,701**	459,094
Total cash		
Bank balances and cash	**301,118**	316,267
Structured deposits	**25,316**	12,500
Restricted bank deposits	**42,501**	31,970
sub-total	**368,935**	360,737
Net borrowings	**127,766**	98,357
Total equity	**859,493**	846,217
Total assets	**1,435,259**	1,370,503
Financial leverage		
Net debt to total equity	**15%**	12%
Net debt to total assets	**9%**	7%
Current ratio	**232%**	242%

As at 30 June 2013, the Group had bank balances and cash of approximately HK$301,118,000 (31 December 2012: HK$316,267,000), structured deposits of approximately HK$25,316,000 (31 December 2012: HK$12,500,000) and restricted bank deposits of approximately HK$42,501,000 (31 December 2012: HK$31,970,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to net cash inflow from bank borrowings of approximately HK$32,166,000 netting off with net cash outflow from operating activities of approximately HK$28,238,000.

As at 30 June 2013, the Group's borrowings amounted to approximately HK$496,701,000, of which approximately HK$236,962,000 were repayable within twelve months from 30 June 2013 and approximately HK$259,739,000 were repayable after twelve months from 30 June 2013. During the period under review, the Group obtained new bank borrowings of approximately HK$149,266,000 applying for finance leasing business. All loans borne interest at market rates.

Capital Structure

The equity attributable to owners of the Company amounted to approximately HK$858,724,000 as at 30 June 2013 (31 December 2012: HK$845,456,000). The increase was mainly due to the profits for the six months ended 30 June 2013 attributable to owners of the Company of approximately HK$5,597,000 and exchange difference arising on translation of approximately HK$7,671,000 in total. The Company did not issue any new shares during the period under review. The issued share capital of the Company was approximately HK$11,522,000 (represented by approximately 1,152 million ordinary shares issued).

Material Acquisition, Disposals and Significant Investment

The Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2013.

Charge on Assets

As at 30 June 2013, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$92,000,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$27,996,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$468,977,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$468,705,000.

(iii) There were bank deposits of approximately HK$42,501,000 restricted for the repayment of part of bank borrowings set out in (ii) above which will be released upon full settlement of the relevant bank borrowings of approximately HK$279,688,000.

Foreign Exchange Exposure

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2013, the Group has no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2013.

Employees

As at 30 June 2013, the Group employed 47 (31 December 2012: 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 employee share option scheme are also available to employee of the Group. Remuneration packages are reviewed either annually or by special increment.

During the six months ended 30 June 2013, the Company and its subsidiaries has not paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2013.

APPRECIATION

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 28 August 2013

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Luo Zhenyu (Managing Director), Mr. Wang Tian (Deputy Managing Director), Mr. Yuan Wenxin (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Ms. Zhou Jianhong (Independent Non-executive Director) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).

* *For identification purpose only*