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 2014

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 2014. 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 2014

		Six months ended 30 June	
		2014	2013
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**25,165**	29,188
Cost of sales		**(15,588)**	(19,327)
Gross profit		**9,577**	9,861
Other income	*4*	**5,049**	2,631
Distribution costs and selling expenses		**(425)**	(351)
Administrative expenses		**(16,118)**	(16,525)
Increase in fair value of investment properties		**–**	3,600
Changes in fair value of held-for-trading investments		**(686)**	(3,300)
Finance costs	*5*	**(158)**	(177)
Share of results of an associate		**13,313**	9,886

	NOTES	Six months ended 30 June **2014** ***HK$'000*** **(unaudited)**	 2013 *HK$'000* (unaudited)
Profit before tax		**10,552**	5,625
Income tax expense	*6*	**(230)**	(29)
Profit for the period	*7*	**10,322**	5,596
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation		**(6,396)**	3,100
Share of translation difference of an associate		**(7,858)**	4,580
		(14,254)	7,680
Total comprehensive (expense) income for the period		**(3,932)**	13,276
Profit (loss) for the period attributable to:			
Owners of the Company		**10,359**	5,597
Non-controlling interests		**(37)**	(1)
		10,322	5,596
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(3,877)**	13,268
Non-controlling interests		**(55)**	8
		(3,932)	13,276
Earnings per share	*8*		
Basic (HK cents)		**0.90**	0.49
Diluted (HK cents)		**0.90**	0.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	**30 June 2014** **HK$'000** **(unaudited)**	31 December 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**29,406**	30,772
Investment properties	*10*	**92,000**	92,000
Goodwill	*11*	**52,935**	52,935
Interests in associates	*12*	**304,925**	299,470
Finance lease receivables	*13*	**199,308**	251,143
Restricted bank deposits	*19(iii)*	**25,232**	25,879
Available-for-sale investments		**5,251**	5,386
Deferred tax assets		**349**	466
		709,406	758,051
Current assets			
Inventories		**3,450**	3,896
Amount due from an associate		**388**	388
Finance lease receivables	*13*	**251,847**	254,638
Trade receivables	*14*	**147**	17
Prepayments, deposits and other receivables		**6,376**	5,603
Held-for-trading investments		**15,719**	16,443
Structured deposits	*15*	**25,000**	25,641
Bank balances and cash		**254,618**	289,273
		557,545	595,899

	NOTES	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Current liabilities			
Other payables and accruals		**17,595**	17,989
Income received in advance		**3,221**	3,658
Rental and management fee received in advance and other deposits received		**677**	647
Tax liabilities		**12,307**	12,500
Secured bank borrowings – due within one year	*16*	**190,096**	197,977
Security deposits received – due within one year	*18*	**4,547**	3,190
		228,443	235,961
Net current assets		**329,102**	359,938
Total assets less current liabilities		**1,038,508**	1,117,989
Capital and reserves			
Share capital	*17*	**11,522**	11,522
Retained earnings		**656,446**	646,087
Other reserves		**194,193**	208,429
Equity attributable to owners of the Company		**862,161**	866,038
Non-controlling interests		**702**	757
Total equity		**862,863**	866,795
Non-current liabilities			
Income received in advance		**2,875**	4,051
Secured bank borrowings – due after one year	*16*	**147,702**	222,122
Security deposits received – due after one year	*18*	**25,068**	25,021
		175,645	251,194
Total equity and liabilities		**1,038,508**	1,117,989

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000 (Note (a))	Translation reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 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
At 1 January 2014 (audited)	11,522	1,007	115,576	63,549	28,297	646,087	866,038	757	866,795
Exchange differences on translation	–	–	–	(6,378)	–	–	(6,378)	(18)	(6,396)
Share of translation difference of an associate	–	–	–	(7,858)	–	–	(7,858)	–	(7,858)
Profit (loss) for the period	–	–	–	–	–	10,359	10,359	(37)	10,322
Total comprehensive (expense) income for the period	–	–	–	(14,236)	–	10,359	(3,877)	(55)	(3,932)
At 30 June 2014 (unaudited)	11,522	1,007	115,576	49,313	28,297	656,446	862,161	702	862,863

Notes:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as 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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period. The application of the new interpretation and amendments to 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.

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 management and trading of goods. These divisions are the basis that is regularly reviewed by the Chief Operating Decision Maker ("CODM"), being the Managing Director of the Company, 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 2014 (unaudited)

	Property leasing and building management services	**Finance leasing**	**Assets management**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**1,840**	**19,780**	**3,545**	**25,165**
Segment result	**1,505**	**6,223**	**(195)**	**7,533**
Other income				**1,949**
Central administration costs				**(11,399)**
Changes in fair value of held-for-trading investments				**(686)**
Finance costs				**(158)**
Share of results of an associate				**13,313**
Profit before tax				**10,552**

Six months ended 30 June 2013 (unaudited)

	Property leasing and building management services	Finance leasing	Assets management	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 results of an associate				9,886
Profit before tax				5,625

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 central administration costs including Directors' salaries, share of results of an associate, certain other income, finance costs and changes in fair value of held-for-trading investments. This is the measure reported to the CODM, for the purposes of resources allocation and assessment of segment performance.

During the six months ended 30 June 2014, the Group had no material change in segment assets and segment liabilities.

4. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income from bank deposits	**2,535**	1,687
Interest income from structured deposits	**518**	438
Dividend income from held-for-trading investments	**243**	486
Consultancy income	**1,719**	–
Others	**34**	20
	5,049	2,631

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	**12,354**	15,955
Less: Interest on bank borrowings wholly repayable within five years included in cost of sales	**(12,196)**	(15,778)
	158	177

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
The People's Republic of China Enterprise Income Tax ("PRC EIT")	**70**	55
Hong Kong	**43**	95
	113	150
Deferred taxation:		
Current period	**117**	(121)
	230	29

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 ("the PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the Mainland China (for the purpose of this announcement, "Mainland China" refers to the mainland of the PRC and does not include Hong Kong, Macau and Taiwan), was 25% for the six months ended 30 June 2014 (six month ended 30 June 2013: 25%).

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**743**	726

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	
	2014	2013
	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)	**10,359**	5,597
	'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	**1,152,192**	1,153,469

Note: The computation of diluted earnings per share for the six months ended 30 June 2014 did not include the potential ordinary shares arising from all the Company's share options (six months ended 30 June 2013: certain share options) because the exercise prices of these share options were higher than the average market price of the shares of the Company for the period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately HK$135,000 (six months ended 30 June 2013: HK$230,000).

10. INVESTMENT PROPERTIES

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Investment properties located in Hong Kong, at fair value	**92,000**	92,000

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

The fair values of the Group's investment properties located in Hong Kong at 30 June 2014 and 31 December 2013 have been arrived at on the basis of a valuation carried out on that date 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. No change in fair value of investment properties (Six months ended 30 June 2013: increase in fair value of investment properties of approximately HK$3,600,000) has been credited to profit or loss for the period.

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

Market comparable approach has been adopted for valuing the Group's residential property units. One of the key inputs used in valuing the Group's residential property units was the price per square foot, which ranged from HK$9,700 to HK$17,000 per square foot (31 December 2013: HK$9,100 to HK$18,000 per square foot). An increase in the price per square foot used would result in an increase in fair value measurement of the residential property units, and vice versa.

Income capitalisation method has been adopted for valuing the Group's industrial property units. Key inputs used in valuing the Group's industrial property units were the market rent per square foot which is HK$45 (31 December 2013: HK$45) and the discount rate of 12% (31 December 2013: 13%) used. Market rent per square foot is extrapolated using zero growth rate. An increase in the market rent per square foot or discount rate used would result in an increase or decrease in fair value measurement of the industrial property units, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2014 are as follows:

	Level 3	**Fair value**
	HK$'000	***HK$'000***
Residential and industrial property units located in Hong Kong	**92,000**	**92,000**

There were no transfers into or out of Level 3 for the period.

11. GOODWILL

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

Goodwill has been allocated to the cash generating unit ("CGU") of finance leasing division. During the six months ended 30 June 2014, 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 2014	31 December 2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Cost of investments in associates		
Listed in Hong Kong	**186,613**	186,613
Unlisted in Hong Kong	**–**	–
Share of post-acquisition results	**201,825**	188,512
Share of post-acquisition translation reserve	**13,481**	21,339
	401,919	396,464
Impairment loss	**(96,994)**	(96,994)
	304,925	299,470
Fair value of listed investments in Hong Kong	**182,655**	235,284
Carrying amount of interests in associates listed in Hong Kong	**304,925**	299,470

As at 30 June 2014 and 31 December 2013, 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 2014 and 2013 has been determined based on the value in use calculations which were more than the corresponding carrying value. The Group did not recognised any impairment loss (six months ended 30 June 2013: nil) for the period ended 30 June 2014 in relation to the interests in GDC.

The recoverable amount of the investment in GDC as at 30 June 2014 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, CG training courses business and the property leasing business are based on financial budgets approved by management covering a 5-year period and a discount rate of 17% (31 December 2013: 17%) and a 3.5% (31 December 2013: 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 has taken into account of 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 2014	31 December 2013	**30 June 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Finance lease receivables comprise:				
Within one year	**282,611**	287,093	**251,847**	254,638
In more than one year but not more than two years	**150,954**	178,179	**138,678**	163,477
In more than two years but not more than three years	**44,355**	68,461	**40,014**	63,818
In more than three years but not more than four years	**18,296**	25,116	**16,866**	23,848
In more than four years but not more than five years	**4,049**	–	**3,750**	–
	500,265	558,849	**451,155**	505,781
Less: Unearned finance lease income	**(49,110)**	(53,068)	**N/A**	N/A
Present value of minimum lease receipts	**451,155**	505,781	**451,155**	505,781
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**251,847**	254,638
Non-current finance lease receivables (receivable after 12 months)			**199,308**	251,143
			451,155	505,781
Fixed-rate finance lease receivables			**89,670**	1,805
Variable-rate finance lease receivables			**361,485**	503,976
			451,155	505,781

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

	30 June 2014	31 December 2013
Fixed-rate finance lease receivables	**4% to 15%**	11% to 11.5%
Variable-rate finance lease receivables	**7% to 15%**	6% to 15%

During the six months ended 30 June 2014, 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 2014 and 2013.

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. TRADE RECEIVABLES

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Rental receivables - aged within three months	**147**	17

The Group allows a credit period of 90 days to its tenants. None of the trade receivables are past due as at the end of the period.

15. STRUCTURED DEPOSITS

The structured deposits at 30 June 2014 consist of deposits of HK$25,000,000 (31 December 2013: HK$25,641,000) denominated in Renminbi and issued by banks in the Mainland China. The structured deposits carry interest at expected interest rate of 3.9% to 4.5% (31 December 2013: 3.3% to 4.2%) 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 60 to 92 days (31 December 2013: 90 to 91 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 approach, approximate to their carrying values.

No change in fair value for those deposits that have been matured has been recognised for the six months ended 30 June 2014 and 2013 as the effect is not significant.

16. SECURED BANK BORROWINGS

During the six months ended 30 June 2014, the Group obtained new bank loans amounted to approximately HK$16,250,000 (six months ended 30 June 2013: HK$149,266,000). The proceeds were wholly used for finance lease operations. The new bank loans and certain existing bank loans were secured by the Group's certain finance lease receivables (Note 13) and carried interest at variable rate of the People's Bank of China plus a percentage up to 10% and are repayable in instalments over a period of 1 to 5 years. During the period, the Group repaid bank loans amounted to approximately HK$88,717,000 (six months ended 30 June 2013: HK$117,100,000).

17. SHARE CAPITAL

Issued share capital as at 30 June 2014 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.

18. SECURITY DEPOSITS RECEIVED

Security deposits of approximately HK$29,615,000 (31 December 2013: HK$28,211,000) 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.

19. CHARGE ON ASSETS

As at 30 June 2014, 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 2013: HK$92,000,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$25,438,000 (31 December 2013: HK$26,721,000).

(ii) The Group's finance lease receivables with a carrying value of approximately HK$317,528,000 (31 December 2013: HK$409,528,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$312,360,000 (31 December 2013: HK$393,378,000).

(iii) There were bank deposits of approximately HK$25,232,000 (31 December 2013: HK$25,879,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowing with outstanding amount of approximately HK$170,202,000 (31 December 2013: HK$207,582,000).

20. 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 and balances with related parties

	Rental income *(Note a)*		**Consultancy fee expense** *(Note b)*		**Management fee expense** *(Note b)*	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Shougang Holding	**–**	–	**480**	480	**–**	–
An associate of Shougang Holding	**–**	–	**–**	–	**420**	420
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 2014, the Group's held-for-trading investments included listed securities of 14,870,000 shares (31 December 2013: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") and 230,000 shares (31 December 2013: 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 20(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 2014, 100%, 100%, 99% and 92% (31 December 2013: 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 2014 is as follows:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**2,975**	2,975
Post-employment benefits	**126**	149
	3,101	3,124

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

21. LITIGATION

On 5 August 2013, a writ of summons (the "Writ of Summons") was issued at the High Court of Hong Kong against GDC Holdings Limited (the "Defendant"), a wholly-owned subsidiary of GDC (an associate of the Company), for specific performance or damages in lieu in relation to an agreement entered into between the plaintiff, the Defendant and GDC on 6 September 2011 (the "Agreement"). The plaintiff alleged that one of the clauses in the Agreement required the Defendant to acquire certain amount of shares of GDC Technology Limited from the plaintiff subject to the occurrence of certain events. The Defendant filed a defence ("Defence") on 22 November 2013 denying the plaintiff's allegations and asserting various affirmative defences. The amount involved in the claim is US dollars 790,900.

The Defendant has reached an agreement with the plaintiff to settle the dispute out of court without compensation and the agreement to resolve the dispute was signed by the parties on 4 July 2014. On 11 July 2014, the High Court granted a consent order to dismiss the whole of the plaintiff's claim in this action.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The global economy moves along the track of moderate growth yet the recovery strength is weaker than expected while in major advanced economies the recovery strength remains fragile in 2014. 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 2014 was approximately HK$10,359,000, representing an increase of approximately 85% when compared with that profit of approximately HK$5,597,000 for the six months ended 30 June 2013. The increase was mainly attributable to the increase in the Group's share of results of an associate.

The revenue of the Group for the six months ended 30 June 2014 was approximately HK$25,165,000, which represented a decrease of approximately 14% when compared with the revenue of approximately HK$29,188,000 for the corresponding period in 2013. The decrease was mainly attributable to the decrease in income from the finance leasing segment.

The Group recorded a gross profit of approximately HK$9,577,000 for the six months ended 30 June 2014, representing a gross profit margin of approximately 38%, which was a slight increase when comparing with the gross profit margin of approximately 34% for the corresponding period in 2013. The improved gross profit margin was mainly contributed by the finance leasing segment.

The Group recorded a share of profit of an associate of approximately HK$13,313,000 for the six months ended 30 June 2014 (Six months ended 30 June 2013: HK$9,886,000).

Basic earnings per share of the Group for the six months ended 30 June 2014 was HK0.90 cents (Six months ended 30 June 2013: HK0.49 cents).

Business Review and Outlook

Property Investment and Management

During the period under review, revenue from the property leasing and building management services segment increased by 38% to approximately HK$1,840,000 (Six months ended 30 June 2013: HK$1,337,000), while the segment result recorded a profit of approximately HK$1,505,000 (Six months ended 30 June 2013: HK$4,644,000). The increase in revenue from the property leasing and building management services segment was mainly attributable to the Group's continuous optimization of the quality of the investment properties to improve rental value. 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 a stable fair value of investment properties of the Group.

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

Finance Leasing

During the period under review, revenue from the finance leasing segment decreased by 15% to approximately HK$19,780,000 (Six months ended 30 June 2013: HK$23,395,000), while the segment result recorded a profit of approximately HK$6,223,000 (Six months ended 30 June 2013: HK$4,425,000). The decrease in revenue from the finance leasing segment was mainly attributable to the decrease in interest-bearing finance lease receivables average balance. The increase in segment result was mainly attributable to the increase in handling fee 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 ("Mainland China", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) 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 decreased by 20% to approximately HK$3,545,000 (Six months ended 30 June 2013: HK$4,456,000), while the segment result recorded a loss of approximately HK$195,000 (Six months ended 30 June 2013: profit of HK$106,000). The assets management segment achieved stable business growth and generated stable income from its brand management service. The segment result turning from profit to loss 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 2014 as compared to 31 December 2013 is summarized below:

	30 June 2014 *HK$'000*	31 December 2013 *HK$'000*
Total borrowings		
Current borrowings	**190,096**	197,977
Non-current borrowings	**147,702**	222,122
sub-total	**337,798**	420,099
Total cash		
Bank balances and cash	**254,618**	289,273
Structured deposits	**25,000**	25,641
Restricted bank deposits	**25,232**	25,879
sub-total	**304,850**	340,793
Net borrowings	**32,948**	79,306
Total equity	**862,863**	866,795
Total assets	**1,266,951**	1,353,950
Financial leverage		
Net debt to total equity	**4%**	9%
Net debt to total assets	**3%**	6%
Current ratio	**244%**	253%

As at 30 June 2014, the Group had bank balances and cash of approximately HK$254,618,000 (31 December 2013: HK$289,273,000), structured deposits of approximately HK$25,000,000 (31 December 2013: HK$25,641,000) and restricted bank deposits of approximately HK$25,232,000 (31 December 2013: HK$25,879,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to net cash outflow from bank borrowings of approximately HK$72,467,000 netting off with net cash inflow from operating activities of approximately HK$37,613,000.

As at 30 June 2014, the Group's borrowings amounted to approximately HK$337,798,000, of which approximately HK$190,096,000 were repayable within twelve months from 30 June 2014 and approximately HK$147,702,000 were repayable after twelve months from 30 June 2014. During the period under review, the Group obtained new bank borrowings of approximately HK$16,250,000 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$862,161,000 as at 30 June 2014 (31 December 2013: HK$866,038,000). The decrease was mainly due to the profits for the six months ended 30 June 2014 attributable to owners of the Company of approximately HK$10,359,000 was offsetted by exchange difference arising on translation of approximately HK$14,236,000 in total during the period. 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 2014.

Charge on Assets

As at 30 June 2014, 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$25,438,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$317,528,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$312,360,000.

(iii) There were bank deposits of approximately HK$25,232,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings of approximately HK$170,202,000.

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 2014, the Group has no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2014.

Employees

As at 30 June 2014, the Group employed 50 (31 December 2013: 49) 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 2014, 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 2014.

APPRECIATION

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

By Order of the Board
Shougang Concord Grand (Group) Limited
Li Shaofeng
Chairman

Hong Kong, 28 August 2014

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*