

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2017

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 2017. 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 2017

		Six months ended 30 June	
		2017	2016
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue	3	55,293	58,629
Cost of sales		(26,530)	(36,531)
Gross profit		28,763	22,098
Other income	4	1,653	7,066
Distribution costs and selling expenses		(521)	(348)
Administrative expenses		(17,715)	(14,069)
Changes in fair value of investment properties	10	8,574	(1,650)
Changes in fair value of held-for-trading investments		3	(466)
Gain on disposal of available-for-sale investment		269	–
Impairment loss reversed (recognised) on finance lease receivables	13	672	(1,671)
Finance costs	5	(1,215)	(133)
Share of results of an associate		372	300
Profit before tax		20,855	11,127
Income tax expense	6	(6,411)	(4,304)

* For identification purpose only

		Six months ended 30 June	
		2017	2016
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
Profit for the period from continuing operations	7	<u>14,444</u>	<u>6,823</u>
Discontinued operation			
Loss for the period from discontinued operation	19	<u>–</u>	<u>(157)</u>
Profit for the period		<u>14,444</u>	<u>6,666</u>
Other comprehensive income (expense):			
<i>Items that will not be reclassified</i>			
<i>to profit or loss:</i>			
Exchange differences on translation		39,428	(14,299)
Share of translation difference of an associate		<u>10,043</u>	<u>(7,656)</u>
		49,471	(21,955)
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Share of investment revaluation reserve			
movements of an associate		<u>(1,655)</u>	<u>(1,309)</u>
Other comprehensive income (expense)			
for the period		<u>47,816</u>	<u>(23,264)</u>
Total comprehensive income (expense)			
for the period		<u>62,260</u>	<u>(16,598)</u>
Profit (loss) for the period attributable to			
owners of the Company			
– from continuing operations		9,879	2,468
– from discontinued operation		<u>–</u>	<u>(141)</u>
		9,879	2,327
Profit (loss) for the period attributable to			
non-controlling interests			
– from continuing operations		4,565	4,355
– from discontinued operation		<u>–</u>	<u>(16)</u>
		4,565	4,339
		<u>14,444</u>	<u>6,666</u>
Total comprehensive income (expense)			
for the period attributable to:			
Owners of the Company		48,139	(17,459)
Non-controlling interests		<u>14,121</u>	<u>861</u>
		62,260	(16,598)
Earnings per share	8		
From continuing and discontinued operations			
Basic and diluted		<u>HK0.37 cents</u>	<u>HK0.09 cents</u>
From continuing operations			
Basic and diluted		<u>HK0.37 cents</u>	<u>HK0.09 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

		30 June 2017	31 December 2016
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	9	16,646	15,977
Investment properties	10	114,040	123,038
Goodwill	11	52,935	52,935
Interests in associates	12	213,085	204,325
Finance lease receivables	13	1,074,813	1,118,560
Available-for-sale investment		–	4,667
Restricted bank deposits	20(iii)	15,715	15,191
Deferred tax assets		20,751	20,222
		1,507,985	1,554,915
Current assets			
Amount due from an associate		–	388
Finance lease receivables	13	756,027	734,960
Trade receivables	14	–	1
Prepayments, deposits and other receivables		7,024	4,241
Held-for-trading investments		4,903	4,844
Structured deposits	15	34,483	11,111
Restricted bank deposits	20(iii)	12,508	11,415
Bank balances and cash		135,481	202,597
		950,426	969,557
Assets classified as held for sale	16	18,564	–
		968,990	969,557

		30 June 2017	31 December 2016
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Current liabilities			
Other payables and accruals		28,507	30,724
Income received in advance		8,377	7,839
Rental and management fee received in advance and other deposits received		2,648	764
Tax liabilities		19,745	14,613
Secured bank borrowings – due within one year	17	511,440	463,875
Security deposits received – due within one year	13	23,307	12,158
		594,024	529,973
Net current assets		374,966	439,584
Total assets less current liabilities		1,882,951	1,994,499
Capital and reserves			
Share capital	18	26,722	26,722
Retained earnings		541,561	518,281
Other reserves		678,127	653,268
Equity attributable to owners of the Company		1,246,410	1,198,271
Non-controlling interests		279,182	265,061
Total equity		1,525,592	1,463,332
Non-current liabilities			
Income received in advance		5,444	6,018
Secured bank borrowings – due after one year	17	286,398	464,593
Security deposits received – due after one year	13	65,517	60,556
		357,359	531,167
Total equity and liabilities		1,882,951	1,994,499

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Contributed surplus reserve <i>HK\$'000</i> <i>(Note (a))</i>	Translation reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016 (audited)	26,722	604,068	7,392	2,269	115,576	(29,600)	28,081	600,072	1,354,580	281,446	1,636,026
Profit for the period	–	–	–	–	–	–	–	2,327	2,327	4,339	6,666
Exchange differences on translation	–	–	–	–	–	(10,821)	–	–	(10,821)	(3,478)	(14,299)
Share of translation difference of an associate	–	–	–	–	–	(7,656)	–	–	(7,656)	–	(7,656)
Share of investment revaluation reserve movements of an associate	–	–	–	(1,309)	–	–	–	–	(1,309)	–	(1,309)
Other comprehensive expense for the period	–	–	–	(1,309)	–	(18,477)	–	–	(19,786)	(3,478)	(23,264)
Total comprehensive (expense) income for the period	–	–	–	(1,309)	–	(18,477)	–	2,327	(17,459)	861	(16,598)
Lapse of share options	–	–	–	–	–	–	(584)	584	–	–	–
At 30 June 2016 (unaudited)	26,722	604,068	7,392	960	115,576	(48,077)	27,497	602,983	1,337,121	282,307	1,619,428
At 1 January 2017 (audited)	26,722	604,068	7,392	1,655	115,576	(102,920)	27,497	518,281	1,198,271	265,061	1,463,332
Profit for the period	–	–	–	–	–	–	–	9,879	9,879	4,565	14,444
Exchange differences on translation	–	–	–	–	–	29,872	–	–	29,872	9,556	39,428
Share of translation difference of an associate	–	–	–	–	–	10,043	–	–	10,043	–	10,043
Share of investment revaluation reserve movements of an associate	–	–	–	(1,655)	–	–	–	–	(1,655)	–	(1,655)
Other comprehensive (expense) income for the period	–	–	–	(1,655)	–	39,915	–	–	38,260	9,556	47,816
Total comprehensive (expense) income for the period	–	–	–	(1,655)	–	39,915	–	9,879	48,139	14,121	62,260
Lapse of share options	–	–	–	–	–	–	(13,401)	13,401	–	–	–
At 30 June 2017 (unaudited)	26,722	604,068	7,392	–	115,576	(63,005)	14,096	541,561	1,246,410	279,182	1,525,592

Notes:

- (a) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfers and utilisation as mentioned in Note (b) below.
- (b) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK\$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK\$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Shougang Concord Grand (Group) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In prior years, the Group was involved in the trading of goods operation through 深圳市悦康融滙貿易發展有限公司 (“Ecko Trading Development Company Limited”), a non-wholly-owned subsidiary of the Group. The trading of goods operation was discontinued with effect from 14 September 2016 as a result of the disposal to an independent third party. Accordingly, the comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016 have been restated to re-present the trading of goods operation as discontinued operation. Details are set out in Note 19.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

Also, in the current interim period, the Group entered into a provisional agreement with an independent purchaser pursuant to which the subsidiary agreed to sell its entire ownership interests in the properties to the purchaser which are classified as assets classified as held for sale as of 30 June 2017.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”), being the Managing Director of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, which is also the basis of organisation of the Group, is set out below.

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

The trading of goods operation previously under assets management segment was discontinued with effect from 14 September 2016 as a result of the disposal to an independent third party. Accordingly, the comparative figures in the segment information for the six months ended 30 June 2016 have been restated to re-present the trading of goods operation as discontinued operation. Details of the discontinued operation is set out in Note 19.

Segment revenue and results

The following is an analysis of the Group’s revenue and results from continuing operations by operating and reportable segment.

For the six months ended 30 June 2017 (unaudited)

Continuing operations

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

For the six months ended 30 June 2016 (unaudited)

Continuing operations

	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> (restated)	Total <i>HK\$'000</i> (restated)
Segment revenue	<u>56,270</u>	<u>2,359</u>	<u>–</u>	<u>58,629</u>
Segment result	<u>19,416</u>	<u>443</u>	<u>27</u>	19,886
Other income				92
Central administration costs				(8,552)
Changes in fair value of held-for-trading investments				(466)
Finance costs				(133)
Share of results of an associate				<u>300</u>
Profit before tax				<u>11,127</u>

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

Segment result represents the profit earned by each segment without allocation of central administration costs including directors' salaries, certain other income, changes in fair value of held-for-trading investments, finance costs and share of results of an associate. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Segment assets		
Finance leasing and other financial services	2,005,044	2,152,777
Property leasing and building management services	114,521	123,329
Assets management	24,151	22,768
Total segment assets	2,143,716	2,298,874
Interests in associates	213,085	204,325
Held-for-trading investments	4,903	4,844
Structured deposits	34,483	11,111
Assets classified as held for sale	18,564	–
Other unallocated corporate assets	62,224	5,318
Consolidated assets	2,476,975	2,524,472
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Segment liabilities		
Finance leasing and other financial services	855,923	1,035,927
Property leasing and building management services	2,609	886
Assets management	560	545
Total segment liabilities	859,092	1,037,358
Unallocated secured bank borrowings	87,598	18,917
Other unallocated corporate liabilities	4,693	4,865
Consolidated liabilities	951,383	1,061,140

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

- all assets are allocated to reportable segments other than interests in associates, held-for-trading investments, structured deposits, assets 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.

4. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Interest income from bank deposits and structured deposits	1,366	3,479
Dividend income from held-for-trading investments	21	20
Interest penalty received on overdue finance lease receivables	–	3,493
Others	266	74
	<u>1,653</u>	<u>7,066</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	26,384	35,244
Amortisation of loan raising costs	1,361	1,420
	<u>27,745</u>	<u>36,664</u>
Less: amounts included in cost of sales	(26,530)	(36,531)
	<u>1,215</u>	<u>133</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	52	82
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	6,191	5,479
	<u>6,243</u>	<u>5,561</u>
Overprovision in prior years:		
PRC EIT	–	(1,778)
Deferred taxation	168	521
	<u>6,411</u>	<u>4,304</u>

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the Mainland China (for the purpose of this 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 2017 (six months ended 30 June 2016: 25%).

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Depreciation of property, plant and equipment	284	276
Gain on disposal of property, plant and equipment	11	–
	<u>295</u>	<u>276</u>

8. EARNINGS PER SHARE

From continuing operations

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	9,879	2,327
Less:		
Loss for the period from discontinued operation	–	(141)
Earnings for the purposes of basis and diluted earnings per share from continuing operations	<u>9,879</u>	<u>2,468</u>

	Six months ended 30 June	
	2017	2016
	'000	'000
	(unaudited)	(unaudited)
Number of ordinary shares for the purposes of basic and diluted earnings per share	<u>2,672,192</u>	<u>2,672,192</u>

For the six months ended 30 June 2017 and 2016, 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 the period.

From continuing and discontinued operations

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

	Six months ended 30 June 2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>9,879</u>	<u>2,327</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HKNil cents per share (six months ended 30 June 2016: HK0.005 cents per share), based on the loss for the period from the discontinued operation of HK\$Nil (six months ended 30 June 2016: HK\$141,000) and the denominators detailed above for both basic and diluted loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group had addition of property, plant and equipment of approximately HK\$410,000 (six months ended 30 June 2016: HK\$48,000) and proceeds amounting to approximately HK\$11,000 (six months ended 30 June 2016: HK\$Nil) was received upon the disposal of property, plant and equipment with an aggregate carrying amount of HK\$Nil (six months ended 30 June 2016: HK\$Nil), resulting in a gain on disposal of approximately HK\$11,000 (six months ended 30 June 2016: HK\$Nil).

10. INVESTMENT PROPERTIES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Residential and industrial property units located in Hong Kong, at fair value	84,270	94,260
Commercial property units located in Mainland China, at fair value	<u>29,770</u>	<u>28,778</u>
	<u>114,040</u>	<u>123,038</u>

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 2017 and 31 December 2016 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. Increase in fair value of investment properties of approximately HK\$8,574,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: net decrease in fair value of investment properties of HK\$1,650,000) has been credited/debited to profit or loss.

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

Market comparable approach has been adopted for valuing the Group's residential property units. One of the key inputs used in valuing the Group's residential property units was the price per square foot, which ranged from HK\$12,262 to HK\$20,372 per square foot (31 December 2016: HK\$11,574 to HK\$19,400 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.

Market comparable approach has been adopted for valuing the Group's commercial property units. One of the key inputs used in valuing the Group's commercial property units was the price per square foot, which is HK\$5,177 per square foot (31 December 2016: HK\$5,005 per square foot). An increase in the price per square foot used would result in an increase in fair value measurement of the commercial property units, and vice versa.

Income capitalisation method has been adopted for valuing the Group's industrial property units as at 31 December 2016. Key inputs used in valuing the Group's industrial property units were the market rent per square foot which is HK\$44 and the discount rate of 12% used. Market rent per square foot is extrapolated using zero growth rate. An increase in the market rent per square foot or discount rate used would result in an increase or decrease in fair value measurement of the industrial property units, and vice versa.

During the six months ended 30 June 2017, all industrial property units with fair value of approximately HK\$18,564,000 were transferred from investment properties to assets classified as held for sale (please refer to Note 16 for details).

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2017 and 31 December 2016 are as follows:

	Level 3		Fair value	
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Residential and industrial property units located in Hong Kong	84,270	94,260	84,270	94,260
Commercial property units located in Mainland China	29,770	28,778	29,770	28,778

There were no transfers into or out of Level 3 for both periods.

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 and other financial services segment. During the six months ended 30 June 2017 and 2016, the directors of the Company (the "Directors") determine that there is no impairment of the CGU represented by finance leasing and other financial services segment.

12. INTERESTS IN ASSOCIATES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Cost of investments in associates		
Listed in Hong Kong	186,613	186,613
Unlisted	–	–
Share of post-acquisition results	181,012	180,640
Share of post-acquisition translation reserve	(14,527)	(24,570)
Share of post-acquisition investment revaluation reserve	–	1,655
Impairment loss	353,098 (140,013)	344,338 (140,013)
	213,085	204,325
Fair value of listed investments in Hong Kong	219,805	204,325
Carrying amount of interests in associates listed in Hong Kong	213,085	204,325

As at 30 June 2017 and 31 December 2016, 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 investment in GDC has been tested for impairment in accordance with HKAS 36 “Impairment of Assets” as a single asset. The Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs to sell.

As disclosed in the consolidated financial statements of GDC, according to the framework agreement, GDC has completed properties representing Phase I of Pearl River Film Cultural Park which amounted to HK\$409,263,000 as at 31 December 2016 and has properties interest under construction to redevelop Phase II of the Pearl River Film Cultural Park in respect of which the original period during which construction was to be completed in accordance with the framework agreement governing the lease of the related land has expired.

As further disclosed in the consolidated financial statements of GDC, 珠江電影製片有限公司 (“Pearl River Film Production”) as the plaintiff (the “Plaintiff”) has initiated legal proceedings against 廣東環球數碼創意產業有限公司 (“Guangdong Cultural Park”), a subsidiary of GDC, in respect of an alleged breach of the framework agreement governing the lease and reconstruction of the related land (the “Alleged Breach”). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand the Plaintiff to continue executing the framework agreement and compensate Guangdong Cultural Park’s damages in the form of economic loss.

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

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

During the year ended 31 December 2016, in light of the Civil Judgment, GDC recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK\$84,467,000 and HK\$23,310,000, respectively, and the cash flow projections for the cultural park property leasing business have not taken into account of the rental income derived from the existing leases nor the estimated future lease income of the Phase I of Pearl River Film Cultural Park and the value in use was below the carrying amount and the fair value less costs to sell of the interest in this associate. The fair value less costs to sell was determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. Accordingly, when the recoverable amount of the associate is the higher of value in use and fair value less costs to sell, the interest in this associate is stated at its fair value less costs to sell as at 31 December 2016 and an impairment loss of HK\$43,019,000 is recognised in profit or loss.

The recoverable amount of the interest in GDC as at 30 June 2017 continued to be determined based on the fair value less cost to sell, which was more than the corresponding carrying value and the value in use. The fair value less costs to sell is determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. The Group did not recognise any impairment loss for the six months ended 30 June 2017 in relation to its interest in GDC.

The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff’s and Guangdong Cultural Park’s lawyers had further submitted supplementary documents as requested by Guangdong Higher People’s Court. As of the date of this announcement, the Appeal is still in progress and no conclusion has been reached. Depending on the ultimate outcome of the Appeal, there may be significant impacts on multiple elements of GDC’s condensed consolidated financial statements. Amongst other impacts, GDC might be required to derecognise the investment properties, derecognise rental income already reflected as revenue and make provisions for compensation in respect of damages and other costs. However, the ultimate outcome of the Appeal and its pervasive impact on the condensed consolidated financial statements of GDC cannot be assessed at this stage. This may have a consequential adverse impact on the Group’s share of results of an associate and its carrying amount of its interests in associates. However, the Directors consider that the ultimate outcome of the Appeal cannot be assessed at this stage and accordingly no further adjustment has been made by the Directors in respect of the assessment of the recoverable amount of the Group’s interest in GDC referred to above.

13. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Finance lease receivables comprise:				
Within one year	824,816	802,926	744,491	723,557
In more than one year but not more than two years	523,122	835,674	476,748	781,674
In more than two years but not more than three years	615,579	348,280	596,014	333,632
In more than three years but not more than four years	2,118	2,728	2,051	2,582
In more than four years but not more than five years	—	683	—	672
	<u>1,965,635</u>	<u>1,990,291</u>	<u>1,819,304</u>	<u>1,842,117</u>
Overdue finance lease receivables	11,536	11,403	11,536	11,403
Less: Unearned finance lease income	<u>(146,331)</u>	<u>(148,174)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease receipts	<u><u>1,830,840</u></u>	<u><u>1,853,520</u></u>	<u><u>1,830,840</u></u>	<u><u>1,853,520</u></u>

Analysed as:

Current finance lease receivables (receivable within 12 months)	756,027	734,960
Non-current finance lease receivables (receivable after 12 months)	<u>1,074,813</u>	<u>1,118,560</u>
	<u><u>1,830,840</u></u>	<u><u>1,853,520</u></u>
Fixed-rate finance lease receivables	954,169	928,069
Variable-rate finance lease receivables	<u>876,671</u>	<u>925,451</u>
	<u><u>1,830,840</u></u>	<u><u>1,853,520</u></u>

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

	30 June 2017	31 December 2016
Fixed-rate finance lease receivables	5.0% to 12.0%	3.0% to 15.0%
Variable-rate finance lease receivables	6.2% to 6.5%	6.2% to 6.5%

Movement in provision for finance lease receivables

	<i>HK\$'000</i>
At 1 January 2016 (audited)	112,353
Impairment loss recognised	44,055
Written off of impairment losses previously recognised	(38,506)
Exchange realignment	(6,241)
At 31 December 2016 (audited)	111,661
Reversal of impairment losses previously recognised	(672)
Exchange realignment	3,850
At 30 June 2017 (unaudited)	<u>114,839</u>

Included in the provision for finance lease receivables are individually impaired finance lease receivables with an aggregate balance of HK\$114,839,000 (31 December 2016: HK\$111,661,000), which the borrowers were either under severe financial difficulties, placed in liquidation or in legal proceedings. In the opinion of the Directors, these amounts cannot be recovered due to the debtors' default in payment.

Included in the Group's overdue finance lease receivables are seven (31 December 2016: eight) lessees with a total carrying amount of approximately HK\$11,536,000 (31 December 2016: HK\$11,403,000) which is past due as at the end of the reporting period but not impaired as the relevant security deposits from these lessees amounted to approximately HK\$11,536,000 (31 December 2016: HK\$11,181,000) have been received by the Group.

The following is an aged analysis at the end of the reporting period of the finance lease receivables which is past due but not impaired:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within three months	–	684
From three to six months	–	1,389
Over six months	11,536	9,330
	11,536	11,403

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

Security deposits of HK\$88,824,000 (31 December 2016: HK\$72,714,000) 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 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Analysed as:		
Security deposits received – due within one year	23,307	12,158
Security deposits received – due after one year	65,517	60,556
	88,824	72,714

In addition, the finance lease receivables are secured over the leased assets mainly machineries and aeroplane engines as at 30 June 2017 and 31 December 2016.

The Group is not permitted to sell or repledge the collateral of the finance lease receivables in the absence of default by the lessee. Estimates of fair value of collateral are made during the credit approval process, determined using valuation techniques commonly used for the corresponding assets. These estimates of valuations are made at the inception of finance leases, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to the relevant market information or valuation result performed by independent valuer. 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.

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

14. TRADE RECEIVABLES

The amount represents rental receivable which are past due at the end of the reporting period for which the Group has not provided for impairment loss as they have been fully settled subsequent to the end of the reporting period. The Group did not hold any collateral over the balance.

The Group allows a credit period of 90 days to its trade customers.

15. STRUCTURED DEPOSITS

The structured deposits as at 30 June 2017 consist of deposits of principal-protected approximately HK\$34,483,000 (31 December 2016: HK\$11,111,000) denominated in Renminbi and issued by banks in Mainland China. The structured deposits carry interest at expected interest rate of 2.9% to 3.0% (31 December 2016: 3.5%) 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 30 to 91 days (31 December 2016: 30 days) from the date of purchase or being redeemed on demand. The structured deposits are designated at fair value through profit or loss on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are measured by reference to discounted cash flow approach, approximate to their carrying values.

Structured deposits amounting to approximately HK\$22,989,000 (31 December 2016: HK\$11,111,000) were redeemed subsequent to the reporting period. The change in fair value up to the date of redemption was not significant.

No change in fair value for those deposits that have been matured is recognised for the six months ended 30 June 2017 as the effect was not significant.

16. ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2017 <i>HK\$'000</i> (unaudited)	31 December 2016 <i>HK\$'000</i> (audited)
Industrial properties units		
– Transfer from investment properties (<i>Note 10</i>)	<u>18,564</u>	<u>–</u>

On 20 April 2017, a subsidiary of the Company entered into a provisional agreement with an independent purchaser pursuant to which the subsidiary agreed to sell its entire ownership interests in the properties to the purchaser for a cash consideration of HK\$18,800,000 (the “Property Disposal”), the direct transaction cost associated with the Property Disposal amounted to approximately HK\$236,000. The properties were held by the Group as investment properties as at 31 December 2016. The Property Disposal was completed on 6 July 2017.

17. SECURED BANK BORROWINGS

During the six months ended 30 June 2017, the Group raised new bank loan amounting to HK\$70,000,000 (six months ended 30 June 2016: HK\$Nil). Certain existing bank loans were secured by the Group’s certain finance lease receivables (Note 13) and carried interest at variable rate of Hong Kong banks’ prime rate minus 2.75%, Hong Kong Interbank Offered Rate (“HIBOR”) plus 1% to 2.5%, Offshore Chinese Renminbi Hong Kong Interbank Offered Rate (“CNH HIBOR”) plus 1.1% and variable of The People’s Bank of China Lending Rate (“PBC rate”) plus 20% (six months ended 30 June 2016: HIBOR plus 1%, CNH HIBOR plus 1.1% and variable PBC rate plus a percentage spread of 0% to 15%) and are repayable in instalments over a period of 1 to 5 years. During the six months ended 30 June 2017, the Group repaid bank loans amounted to approximately HK\$233,355,000 (six months ended 30 June 2016: HK\$328,239,000).

18. SHARE CAPITAL

	Number of shares	Amount <i>HK\$000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 30 June 2016, 1 January 2017 and 30 June 2017	<u>2,672,192,469</u>	<u>26,722</u>

19. DISCONTINUED OPERATION

On 12 September 2016, the Group entered into a sale agreement to dispose of a non-wholly owned subsidiary, Ecko Trading Development Company Limited, which carried out the Group's trading of goods operations to an independent third party at a consideration of approximately RMB1,483,000 (equivalent to approximately HK\$1,724,000). The disposal was completed on 14 September 2016, on which date control of Ecko Trading Development Company Limited passed to the acquirer.

The trading of goods operation was discontinued with effect from 14 September 2016 as a result of the disposal to an independent third party. Accordingly, the comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016 have been restated to re-present the trading of goods operation as discontinued operation. The loss for the period from the discontinued trading of goods operation is set out below.

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	–	1,798
Cost of sales	–	(1,699)
Other income	–	4
Distribution costs and selling expenses	–	(80)
Administrative expenses	–	(180)
Loss for the period	–	(157)

Loss for the period from discontinued operation has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	–	60

Cash flows for the period:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash inflow from operating activities	—	553
Net cash inflow from investing activities	—	14
Net cash outflow from financing activities	—	(296)
Net cash inflow	—	271

20. CHARGE ON ASSETS

As at 30 June 2017, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$84,270,000 (31 December 2016: HK\$94,260,000) and the Group's assets classified as held for sale with an carrying value of approximately HK\$18,564,000 (31 December 2016: HK\$Nil) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$17,598,000 (31 December 2016: HK\$18,917,000).
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$721,650,000 (31 December 2016: HK\$913,354,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$710,240,000 (31 December 2016: HK\$909,551,000).
- (iii) There were bank deposits of approximately HK\$28,223,000 (31 December 2016: HK\$26,606,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK\$81,313,000 (31 December 2016: HK\$136,032,000).

	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Restricted bank deposits analysed for reporting purposes:		
Due within one year	12,508	11,415
Due after one year	15,715	15,191
	28,223	26,606

21. RELATED PARTY DISCLOSURES

The Controlling Shareholder of the Company defined under the Listing Rules is Shougang Holding (Hong Kong) Limited (“Shougang Holding”) which is a wholly-owned subsidiary of Shougang Group Co., Ltd (formerly known as Shougang Corporation), a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Company and the Group are significantly influenced by Shougang Group Co., Ltd and its subsidiaries (collectively referred as “Shougang Group”). Shougang Group is part of a larger group of companies 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 Shougang Group and related parties

	Rental income (Note i)		Finance income and other financial services income (Note ii)		Consultancy fee expense (Note i)		Management fee expense (Note i)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Shougang Holding	-	-	-	-	480	480	-	-
Subsidiaries of Shougang Group Co., Ltd	-	-	47,403	52,738	-	-	-	-
An associate of Shougang Holding	-	-	2,006	-	-	-	420	420
Mr. Li Shaofeng, former Chairman of the Company	64	71	-	-	-	-	-	-

Notes:

- (i) The transactions were carried out in accordance with the relevant lease and other agreements.
- (ii) The transactions were carried out in accordance with relevant finance lease and loan agreements summarised as below:
 - (1) The Company entered into the master loan facility agreement with Shougang Shuicheng Gangtie (Group) Co., Ltd (“Shougang Shuigang”) pursuant to which the Company agreed to provide, or procure its subsidiaries to provide, the loan facilities to Shougang Shuigang and/or its subsidiaries in an aggregate principal amount of up to HK\$250,000,000 for a term of 3 years commenced from October 2014. The master loan facility agreement with Shougang Shuigang was terminated in June 2017.
 - (2) Pursuant to the finance lease agreement, South China International Leasing Co., Ltd. (“South China Leasing”) will provide finance lease amounting RMB200,000,000 to Shougang Guiyang Special Steel Co., Ltd for a term of 3 years commenced from February 2015.
 - (3) The Company entered into the master facilities agreement with Shougang Group Co., Ltd, pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the facilities to Shougang Group Co., Ltd and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years commenced from June 2015.

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

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\$1,647,817,000 (31 December 2016: HK\$1,639,050,000) and HK\$62,095,000 (31 December 2016: HK\$72,512,000), respectively.

(b) Investments in related companies

At 30 June 2017, the Group's held-for-trading investments included listed securities of 12,370,000 shares (31 December 2016: 12,370,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") with carrying amount of HK\$3,093,000 (31 December 2016: HK\$3,216,000), and 230,000 shares (31 December 2016: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International") with carrying amount of HK\$57,000 (31 December 2016: HK\$59,000). 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 2017, 100%, 81% and 98% (31 December 2016: 100%, 99% and 98%) respectively, of restricted bank deposits, bank balances and bank borrowings are held with these government-related financial institutions.

(d) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the six months ended 30 June 2017 and 2016 is as follows:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	3,927	3,695
Post-employment benefit	87	90
	4,014	3,785

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

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

	Six months ended 30 June		+ / (-)
	2017	2016	Change
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	
Financial performance			
Revenue from continuing operations	55,293	58,629	-6%
Gross profit margin from continuing operations (%)	52%	38%	14%
Profit attributable to owners of the Company from continuing and discontinued operations	9,879	2,327	325%
Basic earnings per share from continuing and discontinued operations (HK cents)	0.37	0.09	0.28
	30 June	31 December	+ / (-)
	2017	2016	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Key financial indicators			
Total cash	198,187	240,314	-18%
Total assets	2,476,975	2,524,472	-2%
Total liabilities	951,383	1,061,140	-10%
Bank borrowings	797,838	928,468	-14%
Equity attributable to owners of the Company	1,246,410	1,198,271	4%
Current ratio	163%	183%	-20%
Net debt to total equity	39%	47%	-8%

Overall Performance

The Group recorded profit of approximately HK\$9,879,000 for the six months ended 30 June 2017 attributable to owners of the Company from continuing and discontinued operations, representing a growth of approximately 3.2 times when compared with that profit of approximately HK\$2,327,000 for the six months ended 30 June 2016 attributable to owners of the Company from continuing and discontinued operations. The increase in results during the period was mainly attributable to the increase in gross profit from continuing operations and increase in fair value of investment properties held by the Group.

The revenue of the Group from continuing operations for the six months ended 30 June 2017 was approximately HK\$55,293,000, which represented a decrease of approximately 6% when compared to the revenue of approximately HK\$58,629,000 for the corresponding period in 2016. The decrease was mainly attributable to the decrease in revenue from the finance leasing and other financial services segment.

The Group recorded a gross profit from continuing operations of approximately HK\$28,763,000 for the six months ended 30 June 2017, representing a gross profit margin of approximately 52%, which was a significant increase of 14% when comparing with the gross profit margin of approximately 38% for the corresponding period in 2016 which was the result of the Group's continuous optimization of the financing structure and strict control of the cost of finance.

The Group recorded a share of profit of an associate of approximately HK\$372,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$300,000).

Basic earnings per share of the Group from continuing and discontinued operations for the six months ended 30 June 2017 was HK0.37 cents (six months ended 30 June 2016: HK0.09 cents).

Business Review and Outlook

Finance Leasing and Other Financial Services

During the period under review, revenue from the finance leasing and other financial services segment decreased by approximately 5% to approximately HK\$53,369,000 (six months ended 30 June 2016: HK\$56,270,000), while the segment result recorded a profit of approximately HK\$23,668,000 (six months ended 30 June 2016: HK\$19,416,000). The decrease in revenue from the finance leasing and other financial services segment was due to the Group's tightened control on business approval and strengthened business security. The increase in segment result from the finance leasing and other financial services segment was driven by the Group's continuous optimization of the financing structure and strict control of the cost of finance.

The Group adhered to a prudent risk management policy, with the finance leasing and other financial services segment continuously carrying out rigorous and regular review of credit risk over all the existing and new finance leasing clients. The Group will continue to adopt a careful and prudent credit risk management strategy and endeavor to exercise its best efforts in the recovery of impaired receivables through continuing to track the assets conditions and the progress of litigation, combined with non-litigations methods.

In response to the fluctuated and unbalanced credit environment in Mainland China and the changing international economic environment, based on the ever strengthening and improving risk control mechanism, the finance leasing and other financial services segment adjusted the management control strategy in time and insisted on optimizing management system, enriching business team to proactively explore customers with good quality so as to drive a stable and promising industry layout, promote an expanded business scale and increase overall revenue.

Property Investment and Management

During the period under review, revenue from the property leasing and building management services segment decreased by approximately 18% to approximately HK\$1,924,000 (six months ended 30 June 2016: HK\$2,359,000), while the segment result recorded a profit of approximately HK\$10,066,000 (six months ended 30 June 2016: HK\$443,000). The decrease in revenue from the property leasing and building management services segment was mainly attributed to the decrease in rentable floor area due to disposal of part of the properties during the period. The significant increase in segment result was mainly attributable to the significant increase in fair value gain of investment properties of the Group.

Capturing market opportunities, the Group disposed of certain investment properties during these few years (including residential, commercial and industrial property units) so as to adjust the combination and quality of the investment properties portfolio. To improve assets return, the Group had reviewed and rearranged the layout of the self-occupied office so as to release rentable floor area. The Group will continue to monitor market changes and seek investment opportunities. The Group expected to receive stable cash flow from rental income and expected that the investment properties would continue to contribute stable cash return to the Group in the foreseeable future.

Assets Management

During the period under review, the assets management segment did not record any revenue from continuing operations (six months ended 30 June 2016: HK\$Nil) while the segment result recorded a profit of approximately HK\$417,000 (six months ended 30 June 2016: HK\$27,000). The increase in segment result was mainly attributable to the decrease of administrative expenses. During the year ended 31 December 2016, trading of goods operation was disposed and discontinued.

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 structural adjustment and changes in financial reform in China by tracking industries with good growth potential, capturing opportunity to develop new projects and innovative service, promoting positive interaction among projects and enriching the assets management business at the same time.

Corporate Strategy

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

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

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

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 2017 as compared to 31 December 2016 is summarized below:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Total borrowings		
Current borrowings	511,440	463,875
Non-current borrowings	286,398	464,593
Sub-total	797,838	928,468
Total cash		
Bank balances and cash	135,481	202,597
Structured deposits	34,483	11,111
Restricted bank deposits	28,223	26,606
Sub-total	198,187	240,314
Net borrowings	599,651	688,154
Total equity	1,525,592	1,463,332
Total assets	2,476,975	2,524,472
Financial leverage		
Net debt to total equity	39%	47%
Net debt to total assets	24%	27%
Current ratio	163%	183%

As at 30 June 2017, the Group had bank balances and cash of approximately HK\$135,481,000 (31 December 2016: HK\$202,597,000), structured deposits of approximately HK\$34,483,000 (31 December 2016: HK\$11,111,000) and restricted bank deposits of approximately HK\$28,223,000 (31 December 2016: HK\$26,606,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to net cash used in the repayment of bank loans of approximately HK\$163,355,000, netting off with the net cash inflow from operating activities of approximately HK\$108,923,000 during the period under review.

As at 30 June 2017, the Group's borrowings amounted to approximately HK\$797,838,000, of which approximately HK\$511,440,000 were repayable within twelve months from 30 June 2017 and approximately HK\$286,398,000 were repayable after twelve months from 30 June 2017. During the period under review, the Group obtained new bank borrowings of approximately HK\$70,000,000 for working capital usage. All loans bore interest at market rates.

Capital Structure

The equity attributable to owners of the Company amounted to approximately HK\$1,246,410,000 as at 30 June 2017 (31 December 2016: HK\$1,198,271,000). The increase was mainly due to the profit for the six months ended 30 June 2017 attributable to owners of the Company from continuing and discontinued operations of approximately HK\$9,879,000 and the exchange differences arising on translation of approximately HK\$39,915,000 in total during the period. The Company had not issued any new shares during the period under review. The issued share capital of the Company was approximately HK\$26,722,000 (represented by approximately 2,672 million ordinary shares).

Material Acquisition, Disposals and Significant Investment

The Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2017.

Charge on Assets

As at 30 June 2017, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$84,270,000 and the Group's assets classified as held for sale with an carrying value of approximately HK\$18,564,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$17,598,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$721,650,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$710,240,000.
- (iii) There were bank deposits of approximately HK\$28,223,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK\$81,313,000.

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 2017, the Group has no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2017.

Employees

As at 30 June 2017, the Group employed 40 (31 December 2016: 47) 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 employee of the Group. Remuneration packages are reviewed either annually or through special increment.

During the six months ended 30 June 2017, the Company and its subsidiaries has 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.

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 2017, except for the following deviation:

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

Mr. Li Shaofeng has resigned as Chairman of the Board with effect from 14 June 2017 due to his other engagements. Mr. Xu Liang, the Managing Director of the Company, took the role of the Chairman of the Board in replacement of Mr. Li Shaofeng with effect from 14 June 2017. Since then, Mr. Xu Liang acts as both the Chairman and the Managing Director of the Company. In order to satisfy the requirement of the code provision A.2.1 of the CG Code, the Board will keep identifying suitable candidate in order to separate the roles of Chairman and Managing Director of the Company.

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
Xu Liang
Chairman and Managing Director

Hong Kong, 24 August 2017

As at the date of this announcement, the Board comprises Mr. Xu Liang (Chairman and Managing Director), Mr. Yang Junlin (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