



SHOUGANG CONCORD TECHNOLOGY
HOLDINGS LIMITED

Stock Code : 521

Gather Momentum



Interim Report 2008

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CORPORATE INFORMATION

Board of Directors

Cao Zhong (*Chairman*)
Chau Chit (*Managing Director*)
Tzu San Te (*Executive Director*)
Leung Shun Sang, Tony (*Non-executive Director*)
Chen Jang Fung (*Non-executive Director*)
Chan Wah Tip, Michael (*Non-executive Director*)
Lee Fook Sun (*Non-executive Director*)
Kan Lai Kuen, Alice
(*Independent Non-executive Director*)
Wong Kun Kim
(*Independent Non-executive Director*)
Leung Kai Cheung
(*Independent Non-executive Director*)

Executive Committee

Cao Zhong (*Chairman*)
Chau Chit
Tzu San Te

Audit Committee

Wong Kun Kim (*Chairman*)
Chan Wah Tip, Michael
Kan Lai Kuen, Alice
Leung Kai Cheung

Nomination Committee

Cao Zhong (*Chairman*)
Leung Shun Sang, Tony (*Vice Chairman*)
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung

Remuneration Committee

Leung Shun Sang, Tony (*Chairman*)
Cao Zhong (*Vice Chairman*)
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung



CORPORATE INFORMATION (continued)

Company Secretary	Cheng Man Ching
Qualified Accountant	Chow Shu Wing
Auditor	Deloitte Touche Tohmatsu
Share Registrars	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Registered Office	Room 01-04, 5th Floor Harcourt House 39 Gloucester Road Wanchai Hong Kong
Stock Code	521
Website	www.shougang-tech.com.hk



INTERIM RESULTS

The Board of Directors of Shougang Concord Technology Holdings Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
	<i>NOTES</i>	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue	3	417,990	287,499
Cost of sales		(311,905)	(292,098)
Gross profit (loss)		106,085	(4,599)
Other income		5,415	2,757
Selling and distribution costs		(9,798)	(9,555)
Administrative expenses		(73,807)	(44,175)
Gain on dilution of interest in an associate		–	64,246
Gain on disposal of an associate		–	183
Share of results of associates	13	5,220	8,605
Share of results of jointly controlled entities		16,168	1,141
Gain on deemed disposal of a subsidiary	24	1,308	–
Finance costs	4	(19,636)	(10,736)
Profit before tax	5	30,955	7,867
Income tax expense	6	(3,088)	(2,397)
Profit for the period		27,867	5,470
Attributable to:			
Equity holders of the Company		24,404	3,610
Minority interests		3,463	1,860
		27,867	5,470
Earning per share	8		
Basic		HK1.27 cents	HK0.21 cents
Diluted		HK1.23 cents	HK0.20 cents



CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	9	11,092	11,092
Property, plant and equipment	9	219,015	246,690
Prepaid lease payments		9,189	9,386
Goodwill	10	222,842	222,842
Intangible assets	11	122,927	3,075
Investments in associates	13	170,898	151,969
Investments in jointly controlled entities		195,027	185,692
Available-for-sale investments		17,442	14,514
Club debentures		630	630
Deferred tax assets		3,197	3,010
		972,259	848,900
CURRENT ASSETS			
Prepaid lease payments		393	393
Inventories		151,491	127,599
Trade and bills receivables	14	298,815	182,202
Prepayments, deposits and other receivables		253,542	173,273
Amount due from a jointly controlled entity	15	1,492	-
Amounts due from customers for contract work	16	179,158	168,581
Held-for-trading investments		210	-
Tax recoverable		17	17
Pledged bank deposits		31,413	35,982
Time deposits		100,085	80,000
Bank balances and cash		214,947	55,190
		1,231,563	823,237



CONDENSED CONSOLIDATED BALANCE SHEET (continued)

AT 30 JUNE 2008

	NOTES	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	17	201,172	187,068
Other payables, deposits received and accruals		147,832	96,262
Amounts due to customers for contract work	16	46,494	38,059
Amount due to a jointly controlled entity		–	10,126
Amount due to an associate		719	–
Tax liabilities		9,657	7,374
Bank borrowings			
– due within one year	18	325,759	197,214
Obligations under finance leases – due within one year		7,756	12,442
		739,389	548,545
NET CURRENT ASSETS		492,174	274,692
TOTAL ASSETS LESS CURRENT LIABILITIES		1,464,433	1,123,592
NON-CURRENT LIABILITIES			
Bank borrowings			
– due after one year	18	2,243	162,683
Obligations under finance leases – due after one year		14,799	17,770
Convertible loan notes	19	307,443	–
Deferred tax liabilities		12,939	160
		337,424	180,613
NET ASSETS		1,127,009	942,979
CAPITAL AND RESERVES			
Share capital	20	483,672	471,947
Reserves		558,895	393,480
Equity attributable to equity holders of the Company		1,042,567	865,427
Minority interests		84,442	77,552
TOTAL EQUITY		1,127,009	942,979



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Other reserve	Translation reserve	Capital reserve	Share option reserve	Convertible loan notes equity reserve	Deficit	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007 (audited)	428,867	501,788	2,084	360	7,642	53,690	-	(375,781)	-	618,650	58,742	677,392
Profit for the period	-	-	-	-	-	-	-	3,610	-	3,610	1,860	5,470
Total recognised income for the period	-	-	-	-	-	-	-	3,610	-	3,610	1,860	5,470
Recognition of equity-settled share based payments	-	-	-	-	-	-	11,194	-	-	11,194	-	11,194
Exercise of share options	9,699	10,391	-	-	-	-	(3,991)	-	-	16,099	-	16,099
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,438	2,438
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
At 30 June 2007 and 1 July 2007 (unaudited)	438,566	512,179	2,084	360	7,642	53,690	7,203	(372,171)	-	649,553	62,040	711,593
At 1 January 2008 (audited)	471,947	607,960	2,084	360	19,205	53,690	7,103	(286,922)	-	865,427	77,552	942,979
Share of exchange reserve of associates	-	-	-	-	10,478	-	-	-	-	10,478	-	10,478
Share of exchange reserve of jointly controlled entities	-	-	-	-	3,167	-	-	-	-	3,167	-	3,167
Exchange difference arising on translation to presentation currency	-	-	-	-	16,599	-	-	-	-	16,599	4,277	20,876
Net income recognised directly in equity	-	-	-	-	30,244	-	-	-	-	30,244	4,277	34,521
Profit for the period	-	-	-	-	-	-	-	24,404	-	24,404	3,463	27,867
Total recognised income and expenses for the period	-	-	-	-	30,244	-	-	24,404	-	54,648	7,740	62,388
Recognition of equity-settled share based payments	-	-	-	-	-	-	30,295	-	-	30,295	-	30,295
Recognition of convertible loan notes equity reserve	-	-	-	-	-	-	-	82,356	-	82,356	-	82,356
Exercise of share options	11,725	16,822	-	-	-	-	(5,117)	-	-	23,430	-	23,430
Arising from acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(698)	(698)
Deferred tax of convertible loan notes equity reserve	-	-	-	-	-	-	-	(13,589)	-	(13,589)	-	(13,589)
Deemed disposal of a subsidiary (note 24)	-	-	-	-	-	-	-	-	-	-	(152)	(152)
At 30 June 2008	483,672	624,782	2,084	360	49,449	53,690	32,281	(272,518)	68,767	1,042,567	84,442	1,127,009



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
	NOTE	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash used in operating activities		(44,957)	(23,026)
Net cash from (used in) investing activities:			
Acquisition of a subsidiary		–	54
Net cash outflow on deemed disposal of a subsidiary	24	(10)	–
Proceeds from disposal of an associate		–	825
Purchase of intangible assets		(121,893)	–
Purchase of property, plant and equipment		(5,718)	–
Purchase of available-for-sale investments		(2,493)	(4,703)
Other investing activities		(13,500)	2,335
		(143,614)	(1,489)
Net cash from (used in) financing activities			
New bank loans raised		49,155	89,321
Repayment of bank loans		(70,276)	(99,839)
Trust receipt loans raised		–	12,376
Proceeds from issue of convertible notes		385,000	–
Repayment of trust receipts loans		(16,801)	–
Repayment of obligations under finance leases		(7,657)	(11,688)
Amount due to a related company		–	11,883
Exercise of share options		23,430	16,099
Dividend paid to minority interests		–	(1,000)
Interest expenses paid		(14,837)	(6,744)
Expenses on issue of convertible notes		(90)	–
		347,924	10,408
Net increase (decrease) in cash and cash equivalents		159,353	(14,107)
Effect of foreign exchange rate changes		404	–
Cash and cash equivalents at beginning of the period		55,190	30,931
Cash and cash equivalents at end of the period		214,947	16,824
Represented by:			
Bank balances and cash		214,947	23,508
Bank overdrafts		–	(6,684)
		214,947	16,824



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

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

In June 2008, the Company has changed its functional currency from Hong Kong dollars to Renminbi as the Group substantially reduced its activity in traditional business with manufacturing factories located in the People's Republic of China (the "PRC") for Hong Kong market and customers, and photomask business in Hong Kong, but increase its activity in digital television ("DTV") technical solutions and equipment business in the PRC and as a consequence mainly holds its investment in subsidiaries whose operations are primarily in the PRC.

For the convenience of the condensed consolidated financial statements users because the Company is listed in Hong Kong, the results and financial position of the Group are expressed in Hong Kong dollar, the presentation currency for the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except as described below.

Change in functional currency

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the entity. The entity applied the translation procedures applicable to the new functional currency prospectively. At the date of change, the entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

Jointly controlled operation

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from this jointly controlled operation are recognised in the balance sheet of the relevant companies on an accrual basis and classified according to the nature of the item. The Group's share of the income from the jointly controlled operations, together with the expenses that it incurs are included in the income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Revenue recognition for DTV business

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of DTV equipment

Sales of goods are recognised when goods are delivered and titled has passed. Cost of goods sold are recognised when goods are received and title has passed.

Provision of services

Income from the provision of digital television technical services arising from jointly controlled operations is recognised based on the Group's share of the monthly service income.

Financial instruments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent investments held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss (continued)

The investments held for trading are initially measured at fair value. At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value with changes in fair value recognized directly in the condensed consolidated income statement in the period/year in which they arise.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over the terms of contract.

In the current interim period, the Group has adopted, for the first time, new standards, amendments and the interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC) – Int 11

HK(IFRIC) – Int 12

HK(IFRIC) – Int 14

HKFRS 2: Group and Treasury Share Transactions
Service Concession Arrangements

HKAS 19 - The Limit on a Defined Benefit Asset,
Minimum Funding Requirements and their
Interaction

The adoption of the new Interpretations had no effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

3. SEGMENTAL INFORMATION

The Group's primary format for reporting segment information is business segments. The following table presents the unaudited figures of revenue and results for the Group's business segments for the six months ended 30 June 2008 and the comparative figures:

Inter-segment sales are charged at prevailing market rates.

For the six months ended 30 June 2008

	Digital television technical solutions and equipment business [*]	Traditional business [*]	Printed circuit boards	High precision metal components	Photomask business	Intelligent information business	Others	Eliminations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE									
External sales	159,543	108,791	-	26,361	21,628	101,560	107	-	417,990
Inter-segment sales	249	-	-	-	-	-	354	(603)	-
Total revenue	<u>159,792</u>	<u>108,791</u>	<u>-</u>	<u>26,361</u>	<u>21,628</u>	<u>101,560</u>	<u>461</u>	<u>(603)</u>	<u>417,990</u>
RESULTS									
Segment results	<u>105,508</u>	<u>(8,655)</u>	<u>-</u>	<u>(2,633)</u>	<u>(33,409)</u>	<u>8,515</u>	<u>(14,887)</u>		54,439
Unallocated corporate expenses									(30,295)
Unallocated corporate income									3,751
Gain on deemed disposal of a subsidiary									1,308
Share of results of associates				5,302		(82)			5,220
Share of results of jointly controlled entities							16,168		16,168
Finance costs									<u>(19,636)</u>
Profit before tax									30,955
Income tax expense									<u>(3,088)</u>
Profit for the period									<u>27,867</u>

* Digital television technical solutions and equipment business is a new business engaged by the Group during the period.

Principal activities of traditional business are manufacture and distribution of telephone accessories, power cords and adaptors.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

3. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2007

	Traditional business	Printed circuit boards	High precision metal components	Photomask business	Intelligent information business	Others	Eliminations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	131,367	-	26,106	25,203	96,784	8,039	-	287,499
Inter-segment sales	-	-	-	-	-	5,100	(5,100)	-
Total revenue	<u>131,367</u>	<u>-</u>	<u>26,106</u>	<u>25,203</u>	<u>96,784</u>	<u>13,139</u>	<u>(5,100)</u>	<u>287,499</u>
RESULTS								
Segment results	<u>(5,871)</u>	<u>-</u>	<u>(1,682)</u>	<u>(30,421)</u>	<u>7,678</u>	<u>(10,141)</u>		<u>(40,437)</u>
Unallocated corporate expenses								(15,912)
Unallocated corporate income								777
Gain on disposal of an associate								183
Gain on dilution of interest in an associate								64,246
Share of results of associates		8,598			7			8,605
Share of results of jointly controlled entities					(1,240)	2,381		1,141
Finance costs								<u>(10,736)</u>
Profit before tax								7,867
Income tax expense								<u>(2,397)</u>
Profit for the period								<u>5,470</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

4. FINANCE COSTS

	Six months ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	10,689	5,996
Convertible loan notes	7,172	–
Finance leases	1,108	748
Amount due to a related company	667	3,992
	<u>19,636</u>	<u>10,736</u>

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	2,181	148
Release of prepaid lease payments (included in administrative expense)	197	198
Depreciation of property, plant and equipment	33,497	33,998
Loss on disposal of property, plant and equipment	18	–
Share of tax of associates (included in share of results of associates)	941	1,410
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entities)	336	10
Net foreign exchange loss	5,039	4,667
and after crediting:		
Gain on deemed disposal of an associate	–	183
Income from insurance claim in relation to a flooding	–	1,143
Interest income from bank deposits	1,164	349
	<u>1,164</u>	<u>349</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The income tax expenses (credit) comprises:		
Current tax:		
Hong Kong	1,304	–
Other regions in the PRC	3,972	2,407
	5,276	2,407
Over-provision in prior year:		
Hong Kong	–	(10)
PRC	(1,378)	–
	(1,378)	(10)
Deferred tax	(810)	–
	3,088	2,397

7. DIVIDENDS

No dividends were paid during the period. The Directors do not declare payment of an interim dividend.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

8. EARNING PER SHARE

The calculation of the basic and diluted earning per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Earning		
Earning for the purposes of basic and diluted earning per share (profit for the period attributable to equity holders of the Company)	<u>24,404</u>	<u>3,610</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earning per share	1,916,201	1,726,495
Effect of dilutive potential ordinary shares: – share options	<u>63,326</u>	<u>57,818</u>
Weighted average number of ordinary shares for the purpose of diluted earning per share	<u>1,979,527</u>	<u>1,784,313</u>

The computation of diluted earning per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an increase in profit per share from operations.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The fair value of the investment properties as at 30 June 2008, as determined by the directors of the Company by reference to recent market transactions in similar properties, amounted to approximately HK\$11,092,000 (31 December 2007: HK\$11,092,000). The investment property have not been valued by an external independent valuer.

The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by Messrs. AA Property Services Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived by reference to recent market evidence of transaction prices for similar properties.

During the period, the Group incurred approximately HK\$5,718,000 on acquisition of property, plant and equipment in order to upgrade its operating capacities.

10. GOODWILL

The goodwill carried at the balance sheet date arose from the acquisition of Sino Stride Technology Holdings Limited ("SST"). The operation of SST were allocated to the intelligent information business. The goodwill arising on the acquisition of SST is attributable to the anticipated profitability of the revenue from installation contracts and the anticipated future operating synergies from the combination.

During the period/year ended 30 June 2008 and 31 December 2007, management of the Group determines that there are no impairments on the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the cash generating unit to which the goodwill has been allocated) is in excess of the aggregate carrying amounts of the goodwill and the net asset value of SST. The recoverable amount of SST has been determined on the basis of value in use calculation and is based on certain key assumptions as adopted. The value in use calculation is based on cash flow projections prepared from financial budget approved by the management of the Group covering a five-year period, growth rate of 3% and a discount rate of 14%. Cash flows beyond the 5-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flow projections are prepared based on the expected gross margins determined based on past performance and management's expectations for the market development.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

11. INTANGIBLE ASSETS

	Development cost <i>HK\$'000</i>	Project contract <i>HK\$'000</i>	Contract acquisition costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 January 2007	4,098	1,473	–	5,571
Exchange realignment	246	–	–	246
At 31 December 2007 and 1 January 2008	4,344	1,473	–	5,817
Additions	–	–	121,893	121,893
Exchange realignment	287	–	–	287
At 30 June 2008	4,631	1,473	121,893	127,997
AMORTISATION AND IMPAIRMENT				
At 1 January 2007	2,100	221	–	2,321
Charge for the period	–	295	–	295
Exchange realignment	126	–	–	126
At 31 December 2007 and 1 January 2008	2,226	516	–	2,742
Charge for the period	–	147	2,034	2,181
Exchange realignment	147	–	–	147
At 30 June 2008	2,373	663	2,034	5,070
CARRYING VALUE				
At 30 June 2008	2,258	810	119,859	122,927
At 31 December 2007	2,118	957	–	3,075

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Development costs	5 years
Project contracts	5 years
Contract acquisition costs	20 years

Contract acquisition costs represent the payments to digital television operators in Guangdong Province in connection with the jointly controlled operations as mentioned in note 12 during the period and are amortised over the terms of contract of 20 years.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

12. JOINTLY CONTROLLED OPERATIONS

The Group has entered into a cooperation agreement with a joint venturer to develop jointly controlled operations to operate a platform in Guangdong Province for the provision of multi-media information services based on cabled digital television network.

Pursuant to the cooperation agreement, the Group is responsible for the provision of technical services, including technical solutions and equipment. The Group shares 80% of the service income after deduction for various items of tax payable, fees payable to the relevant television stations of the municipalities or counties, if any.

At 30 June 2008, the aggregate amount of assets, liabilities, revenue and profit recognised in the Group's consolidated financial statements are as follows:

	30 June 2008 <i>HK\$'000</i> (unaudited)
Assets	<u>119,859</u>
Liabilities	<u>–</u>
Revenue	<u>35,200</u>
Profit after tax	<u>29,940</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

13. INVESTMENTS IN ASSOCIATES

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Cost of investments in associates:		
Listed in Shenzhen Stock Exchange	18,957	18,957
Unlisted	5,590	2,359
Share of post-acquisition profits and reserves, net of dividends received	146,351	130,653
	170,898	151,969
Fair value of listed investment	428,976	705,600

The summarised financial information in respect of the Group's associates is set out below:

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Total assets	951,203	877,603
Total liabilities	(125,583)	(131,239)
Net assets	825,620	746,364
Group's share of net assets of associates	170,898	151,969

	30 June 2008 HK\$'000 (unaudited)	30 June 2007 HK\$'000 (unaudited)
Revenue	268,154	187,449
Profit for the period	25,010	68,684
Group's share of result of associates for the period	5,220	8,605



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

14. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 30 to 180 days of issuance, except for certain well established customers, where the terms are extended to one year. Each customer has a designated credit limit.

An aged analysis of trade and bills receivables at the balance sheet date, based on the invoice date, and net of allowance for doubtful debts, is as follows:

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
0-90 days	244,105	136,933
91-180 days	30,952	22,545
181-365 days	9,582	15,555
1-2 years	14,171	7,165
Over 2 years	5	4
	298,815	182,202

15. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount is unsecured, non interest-bearing and repayable on demand.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	1,120,047	1,018,406
Less: Progress billings	(987,383)	(887,884)
	<u>132,664</u>	<u>130,522</u>
Analysed for reporting purposes of:		
Amounts due from contract customers	179,158	168,581
Amounts due to contract customers	(46,494)	(38,059)
	<u>132,664</u>	<u>130,522</u>

At 30 June 2008, retentions held by customers for contract works amounted to approximately HK\$46,826,000 (31 December 2007: HK\$46,514,000) which was included in amounts due from customers for contract work.

17. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables at the balance sheet date, based on the invoice date, is as follows:

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
0 – 90 days	191,938	106,848
91 – 180 days	5,874	56,590
181 – 365 days	461	10,935
1 – 2 years	819	9,807
Over 2 years	2,080	2,888
	<u>201,172</u>	<u>187,068</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

18. BANK BORROWINGS

During the period, the Group obtained new bank loans and trust receipt loan amounting to approximately HK\$49,155,000 (2007: HK\$101,697,000) and repaid HK\$87,077,000 (2007: HK\$99,839,000). The borrowings bear interest at market rates ranging from 2.52% to 8.2% (2007: 5.36% to 7.2%) and are repayable in instalments over a period of one to five years. The proceeds were used to finance the purchase of raw materials and acquisition of plant and equipment.

19. CONVERTIBLE LOAN NOTES

On 17 April 2008, the Company issued convertible loan notes with an aggregate principal amount of HK\$385,000,000 ("Convertible Notes"). The maturity date of the Convertible Notes is on 17 April 2011 ("Maturity Date"). The Convertible Notes carry 3% coupon interest per annum paid semi-annually and will be redeemed at its principal amount at the Maturity Date by the Company.

The Convertible Notes are convertible into shares at any time after 17 April 2008 up to, and excluding, the close of business on the Maturity Date at the initial conversion price of HK\$1.10 per share, subject to anti-diluted adjustment ("Initial Conversion Price"). The conversion option component of the Convertible Notes will be settled by exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments and accordingly is classified as an equity instrument of the Company.

The Company has the compulsory conversion option to convert the Convertible Notes at any time prior to the Maturity Date, if the closing price of the shares of the Company for any 20 trading days in 30 consecutive trading days shall not be less than 163% of the Initial Conversion Price. Then the Company may, having given not less than 30 but not more than 60 days' prior notice in writing to the noteholders of the Convertible Notes, require the noteholders of the Convertible Notes to convert the Convertible Notes into the conversion shares.

The Convertible Notes contain two components, liability and equity components. Based on the relevant requirements of HKAS 32 "Financial Instruments: Presentation", the Convertible Notes are separated between the liability and equity. The equity component is presented in equity heading "Convertible loan notes equity reserve". The effective interest rate of the liability component is 12%.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

20. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1 January and 30 June 2008	4,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2008	1,887,786,989	471,947
Exercise of share options	46,902,000	11,725
At 30 June 2008	1,934,688,989	483,672

21. CAPITAL COMMITMENTS

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Capital expenditure contracted but not provided in financial statements in respect of the acquisition of property, plant and equipment	736	3,572
Capital expenditure in respect of acquisition of intangible assets authorised but not contracted for	2,080	2,080



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

22. CONTINGENT LIABILITIES

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Guarantee for banking facilities utilised by a jointly controlled entity	64,155	77,927
Cross guarantee for banking facilities utilised by an outsider	50,850	58,300
	115,005	136,227

The Group have given financial guarantees to banks and financial institutions in respect of banking facilities and finance leases granted to a jointly controlled entity and an outsider free of charge.

The fair value of the financial guarantee contracts at date of inception is insignificant.

23. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors, employees and other participants of the Group. Details of the share options outstanding during the six months ended 30 June 2008 are as follows:

	Number of share options
Outstanding at 1 January 2008	152,025,000
Granted during the period	174,600,000
Exercised during the period	(46,902,000)
	<u>279,723,000</u>
Outstanding at 30 June 2008	<u>279,723,000</u>

The closing price of the Company's shares immediately before 22 January 2008, the date of grant of the 2002 scheme options, was HK\$0.74.

In the current period, share options were granted on 22 January 2008 and vested immediately. The fair value of the options determined at the date of grant using the Binomial model were HK\$30,295,000.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

23. SHARE-BASED PAYMENTS (continued)

The following assumptions were used to calculate the fair values of share options:

22 January 2008

Grant date share price	HK\$0.64
Exercise price	HK\$0.78
Contractual life	10 years
Expected volatility	64.9%
Dividend yield	0%
Risk-free interest rate	2.778%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the period, share-based compensation expenses of HK\$30,295,000 (2007: HK\$11,194,000) was included in the administrative expenses.

24. DEEMED DISPOSAL OF A SUBSIDIARY

On 27 June 2008, the Group's interest in Hangzhou Sino Stride Megain Optic-Electric Technology Company Limited was diluted from 94.29% to 47.15% as a result of the capital injection of RMB5,000,000 (approximately HK\$5,650,000) by a third party. The dilution has resulted in a gain of approximately HK\$1,308,000. Bank balances and cash disposal of is approximately HK\$10,000.

25. NON-CASH TRANSACTIONS

Details of major non-cash transactions are set out in Note 24.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

26. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group entered into the following transactions with related parties:

	NOTES	Six months ended 30 June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Management fees paid to a controlling shareholder	(i)	480	480
Management fees paid to a related company	(ii)	330	330
Interest expenses paid to related companies	(iii)	667	3,992
Utility expenses charged to a jointly controlled entity	(iv)	678	4,148
Purchases from a jointly controlled entity		209	12,816
Purchases from related companies	(v)	1,832	5,765

Notes:

- (i) Management fees were paid to Shougang Holding for the provision of management services.
- (ii) Management fees were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding, for the provision of management services.
- (iii) Interest expenses were paid to associates of Shougang Holding and Shougang (Hong Kong) Finance Company Limited, a subsidiary of Shougang Holding for granting interest-bearing loan advanced to the Group.
- (iv) Utility expenses charged to a jointly controlled entity were related to the reimbursement of certain utility costs incurred by it. The reimbursement was based on the actual costs incurred.
- (v) Purchases were made from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited, both are wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which Shougang Holding is a controlling shareholder.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

26. RELATED PARTY TRANSACTIONS (continued)

- (b) During the period, the Group has raised a loan of HK\$100,000,000 (2007: approximately HK\$148,024,000) from Shougang (Hong Kong) Finance Company, wholly owned subsidiary of Shougang Holdings (HK) Limited, a controlling shareholder of the Company. The loan carried interests at 6.7625% per annum (2007: 5.5125%), unsecured and with loan period of 1 month (2007: 5 months). The loan has been fully repaid during the period and interest incurred is approximately HK\$667,000 (2007: HK\$3,992,000)

27. SUBSEQUENT EVENTS

There has been no material events subsequent to period end which require adjustment of or disclosure in the interim financial report.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.**德勤****TO THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED**

首長科技集團有限公司

*(Incorporated in Hong Kong with limited liability)***Introduction**

We have reviewed the interim financial information set out on pages 4 to 29, which comprises the condensed consolidated balance sheet of Shougang Concord Technology Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 September 2008



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported a net profit attributable to shareholders of HK\$24,000,000 for the first six months of the year 2008, representing an increase of 576% over the same period of the previous year. Profit from the core business amounted to HK\$59,000,000, eliminating such non-cash expenses as the employee share option expenses of HK\$30,000,000 and the addition of interest on convertible notes at effective interest rate of HK\$5,000,000, of which a profit of over HK\$105,000,000 was recorded by the digital television business, making it a major source of income for the Group. The Group reported a consolidated turnover of HK\$418,000,000 for the first half of the year, representing an increase of 45% over the same period of the previous year. The basic and diluted earnings per share were HK1.27 cents and HK1.23 cents respectively, representing a respective increase of 505% and 515% over the same period of the previous year.

Digital Television Business

The Group had collaborated with Guangdong Southern Yinshi Network Media Company Limited (hereinafter abbreviated as "Southern Yinshi") to develop and operate an operational platform for the provision of multi-media information services based on a digital television network in China in March 2008. The Group had worked as a technical service provider and equipment supplier with respect to digital television, including the provision of technical solutions and digital television equipment.

As at 30 June 2008, the Group had, together with Southern Yinshi, set up 7 local digital television project companies (hereinafter abbreviated as the "local project companies") in Guangdong Province. Southern Yinshi had also, through various local project companies, successfully entered into agreements with relevant local television stations and established an operational platform with approximately 1,000,000 users of cable television.

During the period under review, the Group has, pursuant to the cooperative agreement it had entered into with Southern Yinshi, received an operating income of technical service fees from local project companies amounting to approximately RMB32,000,000 (approximately HK\$35,200,000). At the same time, the Group had also recorded an income of approximately HK\$124,000,000 through the provision and manufacturing of digital television equipment. As a result, the digital television business had contributed approximately HK\$105,000,000 to the Group's profit.

The Group's digital television business will continue to expand in the second half of the year 2008 whilst the income and profit from the business will sustain their rapid growth, enabling the business became the core business of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

System Integration Solution Services

The system integration solution services have continued to generate considerable and stable returns for the Group. The turnover and operating profits of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as "SST") for the six months period ended 30 June 2008 amounted to HK\$101,560,000 (2007: HK\$96,784,000) and HK\$8,515,000 (2007: HK\$7,678,000) respectively.

As a leading provider of system integration solutions, SST will generate substantial earnings, further expand business and improve profits for the Group in the future, given the rising demand for system integration solutions in China.

Photomasks

The turnover from photomasks decreased from HK\$25,203,000 for the six months period ended 30 June 2007 to HK\$21,628,000 in 2008, while loss increased from HK\$30,421,000 to HK\$33,409,000.

The Group will establish a joint venture in China, which will be principally engaged in the research and development and manufacturing of photomasks. The Group intends to transfer to the joint venture the existing machinery and equipment for the production of photomasks.

Traditional business

Traditional business comprises the trading and manufacturing of telephone accessories, power cords, adaptors and electronic products. Its turnover fell by 17% to HK\$108,791,000 (2007: HK\$131,367,000), while loss attributable to the Group increased by 47% to HK\$8,655,000 (2007: HK\$5,871,000). The increase in loss was mainly attributable to the rising labor cost and raw material prices such as crude oil, copper and aluminum. At the same time, there had been a number of floods in Dongguan, China in June 2008, which had damaged and destroyed the Group's assets, including machinery and inventory respectively. Up to the date of this report, the management is still negotiating with the insurance company with respect to the indemnification.

Printed Circuit Boards

For the six months period ended 30 June 2008, turnover from the division of printed circuit boards was HK\$440,000 and operating loss attributable to the Group was HK\$1,000,000. The turnover and loss attributable to the Group by this division were classified under "Others" in the Segment Information section to the financial statements.

High-precision Metal Components

Sales from the segment was HK\$26,361,000 (2007: HK\$26,106,000) while segment loss increased to HK\$2,633,000 (2007: HK\$1,682,000) as a result of flood.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Jointly controlled entity – copper wire

The global copper prices were still on the rise in the first half of 2008 as compared to the fourth quarter of 2007. Even though sales from the jointly controlled entity engaged in the copper wire manufacturing had decreased by 12%, there was a gain on price difference as the inventory prices were lower than the existing commodity prices. Consequently, profit attributable to the Group increased from approximately HK\$2,400,000 in 2007 to approximately HK\$16,000,000 in 2008.

Associate – Tianjin Printronics Circuit Corporation (“TPC”)

During the period under review, turnover of TPC increased by 43.3% to HK\$268,154,000 and profits attributable to the Group amounted to approximately HK\$5,300,000 (2007: HK\$8,600,000).

On 29 May 2008, TPC issued bonus shares to all its shareholders on the basis of 0.5 bonus share for every 10 ordinary shares, in addition to 2 bonus shares for every 10 ordinary shares to all its shareholders made by the conversion of the capital reserve. Consequently, the Group had received 10,329,926 bonus shares, making its shareholding in TPC increased from 41,319,704 shares at the end of December 2007 to 51,649,630 shares as at 30 June 2008. The Group also received a cash dividend of approximately HK\$386,000. The total market capitalization of the shares of TPC owned by the Group was approximately RMB379,625,000 as at 30 June 2008.

The Group keeps a close watch on any changes in the market and consider the disposal of all or part of its interests in TPC if a reasonable return is available to realize returns on investments and strengthen the Group's cash flow.

Prospects

The Group's investment in the development of digital television business in China, the provision of technical solutions and equipment for digital television had generated substantial return for the Group's interim results of 2008. The Group expects that the user of cable television will increase to 2,000,000 users by the end of 2008 through the operational platform established by Southern Yinshi.

With an aim of developing into a leading provider of the operational platform for the provision of multi-media information services, the Group will continue to expand and develop the digital television business in China so as to increase the income and profit contributed by the business, making it the core business of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospects (continued)

The Group had also successfully transformed part of the production base of traditional business in Dongguan into the processing facility of equipment for digital television. The production of digital television equipment had improved the profitability of the production base in Dongguan. The Group believes that the profit from digital television equipment will become one of the principal sources of profits for the Group.

Moreover, the Group intends to establish a joint venture in China in 2008, which will be principally engaged in the research and development and manufacturing of photomasks. The Group intends to transfer to the joint venture the existing machinery and equipment for the production of photomasks. The Group believes that the introduction of massive capital resources and advanced technology support from overseas investors can help enhance the efficiency and technology for the production of photomasks, and that the formation of the joint venture in China can reduce production costs and broaden profit margin and has a positive effect on stepping up its presence in the photomasks sector in China.

Shougang Concord Technology will deliver more fruitful returns to its shareholders by reorganising the principal business, introducing capital resources and technology from overseas investors, and reinforcing the internal control and operational system of the Group.

Liquidity and Financial Resources

As at 30 June 2008, the Group's gearing ratio (total borrowings divided by equity) increased to 0.58 (31 December 2007: 0.41) whereas current ratio (current assets divided by current liabilities) increased to 1.7 (31 December 2007: 1.5).

As at 30 June 2008, bank loans had decreased by approximately HK\$31,895,000 to HK\$328,002,000 (31 December 2007: HK\$359,897,000).

As at 30 June 2008, the capital commitments already signed up but not yet provided for as well as already authorised but not yet signed up by the Group and its jointly controlled entities amounted to approximately HK\$736,000 (31 December 2007: HK\$3,572,000) and HK\$2,080,000 (31 December 2007: HK\$2,080,000) respectively.

In addition, during the period under review, the Group had issued convertible notes due on 2011 that can be converted to ordinary shares of the Company in the aggregate principal amount of HK\$385,000,000.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Exposure to Fluctuations in Exchange Rates

The Group's trading and transactions were mostly denominated in Hong Kong Dollars, RMB and United States Dollars. Its exposure to the risk in United States Dollars was only to a small extent as Hong Kong Dollars are pegged to United States Dollars. However, the operation and performance of the Group might be affected by the increased volatility of RMB in the sense that the fluctuation in the exchange rate of RMB to Hong Kong Dollars might affect the Group's operating results. The Group will review its foreign exchange exposure regularly and might consider adopting financial instruments for hedging purpose at appropriate times.

Capital Structure

During the year, certain eligible directors and employees exercised their share options to subscribe for a total of 46,902,000 shares. Details of movements in the issued ordinary share capital and share options are set out in notes 20 and 23 to the financial statements.

Material Acquisition, Disposals and Significant Investment

Other than those disclosed in the paragraph of Business Review above, the Group had no other material acquisition, disposals and significant investment during the six months period ended 30 June 2008.

Contingent Liabilities

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, decreased from approximately HK\$77,927,000 as at 31 December 2007 to approximately HK\$64,155,000 as at 30 June 2008. In addition, one of the subsidiaries, SST has provided a cross guarantee of approximately HK\$50,850,000 (31 December 2007: HK\$58,300,000) for credit facilities granted to third parties.

Employees and Remuneration Policy

The Group had a total of approximately 2,244 employees as at 30 June 2008.

The remuneration policy of the Group is to ensure that the overall remunerations are fair and competitive in order to motivate and retain existing employees and at the same time to attract prospective employees. The remuneration policy has been formulated after having taken into account local practices in various geographical locations in which the Group and its associates are operating. These remuneration packages comprise basic salaries, allowances, retirement schemes, service bonuses, fixed bonuses, performance-based incentives and share options, where appropriate.



INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2008 (2007: Nil).

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

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors who held office at 30 June 2008 had the following interests in the shares and underlying shares of the Company as at 30 June 2008 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30.06.2008
		Interests in shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	15,438,000	26,826,000	42,264,000	2.18%
Chau Chit	Beneficial owner and interests of a controlled corporation	316,598,000	10,000,000	326,598,000	16.88%
Tzu San Te	Beneficial owner	-	8,008,000	8,008,000	0.41%
Chen Jianyong*	Beneficial owner	5,000,000	10,292,000	15,292,000	0.79%
Leung Shun Sang, Tony	Beneficial owner	3,269,810	40,170,000	43,439,810	2.25%
Chen Jang Fung	Beneficial owner	-	3,514,000	3,514,000	0.18%
Chan Wah Tip, Michael	Beneficial owner	-	3,914,000	3,914,000	0.20%
Lee Fook Sun	Beneficial owner	-	1,800,000	1,800,000	0.09%
Kan Lai Kuen, Alice	Beneficial owner	-	3,514,000	3,514,000	0.18%
Wong Kun Kim	Beneficial owner	-	3,514,000	3,514,000	0.18%
Leung Kai Cheung	Beneficial owner	-	3,514,000	3,514,000	0.18%



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.25 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*

Mr. Chen Jianyong resigned as a Director of the Company subsequent to the period end date on 1 August 2008.

Save as disclosed above, as at 30 June 2008, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2008.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2008, according to the register kept by the Company under Section 336 of the SFO (the "Register"), the following companies and persons had long positions of 5% or more in the shares and underlying shares of the Company ("Notifiable Interest") which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:



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

Long positions in the shares and underlying shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30.06.2008	Note(s)
		Interests in shares	Interests under equity derivatives*	Total interests		
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	426,871,098	-	426,871,098	22.06%	1
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	-	231,515,151	11.97%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	-	170,044,069	8.79%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	50,000,000	174,069,394	9.00%	2, 3
Max Same Investment Limited ("Max Same")	Beneficial owner	107,654,173	-	107,654,173	5.56%	2
Li Ka-shing ("Mr. Li")	Interests of controlled corporations, founder of discretionary trusts	124,069,394	200,000,000	324,069,394	16.75%	3, 4
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	50,000,000	174,069,394	9.00%	3
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	50,000,000	174,069,394	9.00%	3



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

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

Name of shareholder	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30.06.2008	Note(s)
		Interests in shares	Interests under equity derivatives*	Total interests		
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	50,000,000	174,069,394	9.00%	3
Mayspin Management Limited ("Mayspin")	Interests of a controlled corporation	-	150,000,000	150,000,000	7.75%	4
Sicilia Holdings Limited ("Sicilia")	Beneficial owner	-	150,000,000	150,000,000	7.75%	4
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	-	301,160,000	15.57%	5
Chau Chit ("Mr. Chau")	Interests of a controlled corporation	301,160,000	-	301,160,000	15.57%	5
Temasek Holdings (Private) Limited ("Temasek")	Interests of controlled corporations	133,523,480	-	133,523,480	6.90%	6
Singapore Technologies Engineering Ltd ("ST Engineering")	Interests of a controlled corporation	133,523,480	-	133,523,480	6.90%	6
Singapore Technologies Electronics Limited ("ST Electronics")	Beneficial owner	133,523,480	-	133,523,480	6.90%	6
Argepa S.A.	Interests of controlled corporations	80,000,000	150,000,000	230,000,000	11.89%	7
Zygmunt Zaleski Stichting ("ZZS")	Interests of controlled corporations	80,000,000	150,000,000	230,000,000	11.89%	7
Carlo Tassara S.p.A. ("CT S.p.A.")	Interests of controlled corporations	80,000,000	150,000,000	230,000,000	11.89%	7
Carlo Tassara International S.A. ("CTI S.A.")	Interests of a controlled corporation	80,000,000	150,000,000	230,000,000	11.89%	7



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

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

- * *The relevant interests are 3% convertible notes due on 17 April 2011 with an aggregate principal amount of HK\$385,000,000 issued by the Company pursuant to the Subscription Agreement dated 3 April 2008. Upon full conversion of the convertible notes at the initial conversion price of HK\$1.10 per share (subject to adjustment), a total of 350,000,000 conversion shares of the Company will be allotted and issued.*

Notes:

1. Shougang Holding indicated in its disclosure form dated 30 April 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 29 April 2008, its interests included 231,515,151 and 170,044,069 shares of the Company held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding. Wheeling was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Shougang Holding.
2. Cheung Kong indicated in its disclosure form dated 20 May 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 16 May 2008, its interests included 107,654,173 shares of the Company held by Max Same, a wholly-owned subsidiary of Cheung Kong. Max Same was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Cheung Kong.
3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

By virtue of the SFO, each of Mr. Li, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.



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

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

4. Mr. Li indicated in his disclosure form dated 8 April 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 3 April 2008, his interests included the interests held by Mayspin which was wholly-owned by Mr. Li.

Mayspin indicated in its disclosure form dated 8 April 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 3 April 2008, its interests included the interests held by Sicilia, a wholly-owned subsidiary of Mayspin.

5. Mr. Chau indicated in his disclosure form dated 20 May 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 16 May 2008, his interests included 301,160,000 shares of the Company held by Mega Start which was wholly-owned by Mr. Chau. Such interest was also disclosed as the interest of Mr. Chau under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
6. Temasek indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 4 March 2008, its interests included 133,523,480 shares of the Company held by ST Engineering which was controlled by Temasek as to 50.77%.

ST Engineering indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 4 March 2008, its interests included 133,523,480 shares of the Company held by ST Electronics, a wholly-owned subsidiary of ST Engineering.

7. CTI S.A. indicated in its disclosure form dated 27 June 2008 (being the latest disclosure form filed up to 30 June 2008) that as at 24 June 2008, its interests included 230,000,000 shares of the Company held by Carlo Tassara Assets Management S.A., a wholly-owned subsidiary of CTI S.A. CTI S.A. was a wholly-owned subsidiary of CT S.p.A. which in turn was controlled by Argepa S.A. and ZZS as to 48.8% and 47.15% respectively. Accordingly, the interest of CTI S.A. was included in the interest held by each of CT S.p.A., ZZS and Argepa S.A.

Save as disclosed above, as at 30 June 2008, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position of 5% or more in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.



SHARE OPTIONS

(a) Share options of the Company

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was cancelled or lapsed in accordance with the terms of the Scheme during the six months ended 30 June 2008. Details of movement in the share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company							Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Granted during the period ^{1,2}	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period ⁴	At the end of the period				
Directors of the Company										
Cao Zhong	8,026,000	-	-	-	-	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580	
	15,438,000	-	-	-	(15,438,000)	-	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406	
	-	18,800,000	-	-	-	18,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	23,464,000	18,800,000	-	-	(15,438,000)	26,826,000				
Chau Chit	15,438,000	-	-	-	(15,438,000)	-	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406	
	-	10,000,000	-	-	-	10,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	15,438,000	10,000,000	-	-	(15,438,000)	10,000,000				
Tzu San Te	3,008,000	-	-	-	-	3,008,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406	
	-	5,000,000	-	-	-	5,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	3,008,000	5,000,000	-	-	-	8,008,000				



SHARE OPTIONS (continued)

(a) Share options of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company						Date of grant	Exercise period	Exercise price per share	
	At the beginning of the period	Granted during the period ^{1,2}	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period ⁴	At the end of the period				
Directors of the Company (continued)										
	Chen Jianyong ⁵	5,292,000	-	-	-	-	5,292,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406
		-	5,000,000	-	-	-	5,000,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
		5,292,000	5,000,000	-	-	-	10,292,000			
Leung Shun Sang, Tony	4,816,000	-	-	-	-	4,816,000	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580	
	3,200,000	-	-	-	-	3,200,000	14.03.2003	14.03.2003 - 13.03.2013	HK\$0.495	
	17,154,000	-	-	-	-	17,154,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406	
	-	15,000,000	-	-	-	15,000,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780	
	25,170,000	15,000,000	-	-	-	40,170,000				
Chen Jang Fung	1,714,000	-	-	-	-	1,714,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406	
	-	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780	
	1,714,000	1,800,000	-	-	-	3,514,000				
Chan Wah Tip, Michael	400,000	-	-	-	-	400,000	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580	
	1,714,000	-	-	-	-	1,714,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406	
	-	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780	
	2,114,000	1,800,000	-	-	-	3,914,000				



SHARE OPTIONS (continued)

(a) Share options of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company							Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Granted during the period ^{1,2}	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period ⁴	At the end of the period				
Directors of the Company (continued)										
Lee Fook Sun	-	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	-	1,800,000	-	-	-	1,800,000				
Kan Lai Kuen, Alice	1,714,000	-	-	-	-	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406	
	-	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	1,714,000	1,800,000	-	-	-	3,514,000				
Wong Kun Kim	1,714,000	-	-	-	-	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406	
	-	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	1,714,000	1,800,000	-	-	-	3,514,000				
Leung Kai Cheung	1,714,000	-	-	-	-	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406	
	-	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	1,714,000	1,800,000	-	-	-	3,514,000				
	81,342,000	64,600,000	-	-	(30,876,000)	115,066,000				



SHARE OPTIONS (continued)

(a) Share options of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company						Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Granted during the period ^{1 & 2}	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period ⁴	At the end of the period			
Employees of the Group	2,000	-	-	-	-	2,000	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580
	-	-	-	4,000,000 ³	-	4,000,000	18.03.2004	18.03.2004 - 17.03.2014	HK\$1.200
	500,000	-	-	-	-	500,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406
	-	94,000,000	-	-	-	94,000,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
	502,000	94,000,000	-	4,000,000	-	98,502,000			
Other participants	40,130,000	-	-	-	(8,026,000)	32,104,000	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580
	14,069,000	-	-	-	-	14,069,000	14.03.2003	14.03.2003 - 13.03.2013	HK\$0.495
	15,982,000	-	(4,000,000) ³	-	-	11,982,000	18.03.2004	18.03.2004 - 17.03.2014	HK\$1.200
	-	16,000,000	-	-	(8,000,000)	8,000,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
	70,181,000	16,000,000	(4,000,000)	-	(16,026,000)	66,155,000			
152,025,000	174,600,000	(4,000,000)	4,000,000	(46,902,000)	279,723,000				



SHARE OPTIONS (continued)

(a) Share options of the Company (continued)

Notes:

1. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.74 per share.
2. The fair value of the share options determined at the date of grant using the Binomial Option Valuation pricing model was approximately HK\$30,295,000. Details of the calculation of the fair value of the share options are set out in note 23 to the condensed consolidated financial statements.
3. The share options were held by a grantee who became an employee of the Group during the period and such share options were re-classified from the category of "Other participants" to "Employees of the Group" during the period.
4. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$0.86 per share.
5. Mr. Chen Jianyong resigned as a Director of the Company subsequent to the period end date on 1 August 2008.

(b) Share options of a subsidiary of the Company – Remarkable Mask Technology Company Limited

Remarkable Mask Technology Company Limited ("Remarkable"), an indirect wholly-owned subsidiary of the Company, has approved a share option scheme (the "Remarkable Scheme") by a shareholder's resolution passed on 10 May 2004. The Remarkable Scheme was subject to the approval of the shareholders of the Company and has become effective on 8 June 2004 as a result of the passing of an ordinary resolution approving the same by the shareholders of the Company at its extraordinary general meeting held on the same day. No share option to subscribe for shares of Remarkable was granted in accordance with the terms of the Remarkable Scheme since its adoption.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2008 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 10 September 2008 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2008.



COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2008.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2008.

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

Cao Zhong

Chairman

Hong Kong, 16 September 2008

