Annual report 2008

SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

Stock Code : 521

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Cao Zhong *(Chairman)*
Chau Chit *(Managing Director)*
Tzu San Te *(Executive Director)*
Mung Kin Keung *(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)*
James Alan Chiddix
(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
Mung Kin Keung

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

COMPANY SECRETARY

Cheng Man Ching

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

DIRECTORS' BIOGRAPHIES

Mr. Cao Zhong, aged 49, graduated from Zhejiang University, the People's Republic of China and Graduate School, The Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics. Mr. Cao was appointed the Chairman of the Company in November 2001 and is also the Chairman of each of the Executive Committee and the Nomination Committee of the Company and the Vice Chairman of the Remuneration Committee of the Company. He was also appointed the deputy chairman and general manager of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International") and the chairman of Shougang Concord Century Holdings Limited ("Shougang Century") in November 2001. He was also appointed the vice chairman of Shougang Concord Grand (Group) Limited ("Shougang Grand") in November 2001 and has acted concurrently as the managing director of Shougang Grand since February 2006. He was appointed the joint chairman of Global Digital Creations Holdings Limited ("GDC"), a non-wholly owned subsidiary of Shougang Grand, in February 2005 and is currently the chairman of GDC. He was appointed an executive director of APAC Resources Limited ("APAC") in April 2007 and was re-designated as the chairman of APAC in May 2007. He was appointed a director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange, in December 2008. He was also appointed an executive director of Fushan International Energy Group Limited ("Fushan") in March 2009 and is currently the chairman of Fushan. He is also a director of each of Asset Resort Holdings Limited and Wheeling Holdings Limited, both are substantial shareholders of the Company within the meaning of Part XV of the SFO. He also acts as the assistant general manager of Shougang Corporation, the ultimate holding company of Shougang Holding, and the chairman of China Shougang International Trade and Engineering Corporation. Mr. Cao has extensive experience in corporate management and operation.

A service contract has been entered into between Mr. Cao and the Company for a term of three years commencing on 1 January 2008. Under the service contract, Mr. Cao is entitled to a monthly salary of HK$200,000 which is determined with reference to his experience and duties as well as the then prevailing market conditions. Mr. Cao is also entitled to a discretionary bonus as may be determined by the Remuneration Committee of the Company from time to time with reference to the then prevailing market conditions, the performance of the Company as well as his individual performance. For the financial year ended 31 December 2008, the discretionary bonus received by Mr. Cao is HK$800,000.

DIRECTORS' BIOGRAPHIES

Mr. Chau Chit, aged 43, graduated from Zhejiang University. Mr. Chau was appointed an Executive Director of the Company in June 2006 and is currently the Managing Director and a member of the Executive Committee of the Company. He is a director and the chief executive officer of Sino Stride Technology (Holdings) Limited, a subsidiary of the Company which was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 29 July 2002 to 6 November 2006. Mr. Chau is a director and the sole shareholder of Mega Start Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

A service contract has been entered into between Mr. Chau and the Company for a term of three years commencing on 1 January 2008. Under the service contract, Mr. Chau is entitled to a monthly salary of HK$200,000 which is determined with reference to his experience and duties as well as the then prevailing market conditions. Mr. Chau is also entitled to a discretionary bonus as may be determined by the Remuneration Committee of the Company from time to time with reference to the then prevailing market conditions, the performance of the Company as well as his individual performance. For the financial year ended 31 December 2008, the discretionary bonus received by Mr. Chau is HK$800,000.

Mr. Tzu San Te, aged 37, holds a master degree in material science and engineering. Mr. Tzu was appointed a Director of the Company in June 2004. He is also a member of the Executive Committee of the Company. Mr. Tzu has extensive experience in manufacturing and the research and development of photomask.

A service contract has been entered into between Mr. Tzu and the Company for a term of three years commencing on 1 January 2008. Under the service contract, Mr. Tzu is entitled to a monthly salary of HK$97,500 which is determined with reference to his experience and duties as well as the then prevailing market conditions. Mr. Tzu is also entitled to a discretionary bonus as may be determined by the Remuneration Committee of the Company from time to time with reference to the then prevailing market conditions, the performance of the Company as well as his individual performance. For the financial year ended 31 December 2008, the discretionary bonus received by Mr. Tzu is HK$97,500.

Mr. Mung Kin Keung, aged 48, holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. Mr. Mung was appointed an Executive Director of the Company in February 2009 and is a member of the Executive Committee of the Company. He is the chairman and an executive director of Mastermind Capital Limited and an executive director of Hong Kong Resources Holdings Company Limited, both of which are listed companies in Hong Kong. Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years of experience in areas of business management, strategic planning and development.

A service contract has been entered into between Mr. Mung and the Company for a term commencing on 16 February 2009 and expiring on 31 December 2010. Under the service contract, Mr. Mung is entitled to a salary of HK$1,000,000 for each full year which will be paid in proportion to the actual length of services provided by Mr. Mung during the relevant year and is determined with reference to the experience and duties of Mr. Mung as well as prevailing market conditions. Mr. Mung is also entitled to a discretionary bonus as may be determined by the Remuneration Committee of the Company from time to time by reference to the then prevailing market conditions, the performance of the Company as well as his individual performance.

Mr. Leung Shun Sang, Tony, aged 66. Mr. Leung was appointed a Non-executive Director of the Company in April 1993. He is also the Chairman of the Remuneration Committee and the Vice Chairman of the Nomination Committee of the Company. He is a director of each of Shougang International, Shougang Grand, Shougang Century and GDC. He was also appointed a non-executive director of Fushan in March 2009. Mr. Leung is the managing director of CEF Group. He holds a master degree in business administration from New York State University and has over 30 years of experience in finance, investment and corporate management.

An engagement letter has been entered into with Mr. Leung for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Leung will receive a director's fee as may be determined by the board of Directors of the Company (the "Board") from time to time pursuant to the authority given by the shareholders of the Company (the "Shareholders"). For the financial year ending 31 December 2009, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. For the financial year ended 31 December 2008, the director's fee of Mr. Leung is HK$190,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Chen Jang Fung, aged 55. Mr. Chen was appointed a Non-executive Director of the Company in November 2003. He graduated from Rochester Institute of Technology, New York with dual master of science degrees in lithography, imaging science and optical instrumentation. Mr. Chen has more than 20 years of hands-on development engineering and management experience in semiconductor industry, and has been awarded more than 20 United States and world-wide patents in the field of optical lithography.

An engagement letter has been entered into with Mr. Chen for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Chen will receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Mr. Chen will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chen. For the financial year ended 31 December 2008, the director's fee of Mr. Chen is HK$150,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Mr. Chen's experience and duties as well as the then prevailing market conditions.

Mr. Chan Wah Tip, Michael, aged 56. Mr. Chan was appointed an Independent Non-executive Director of the Company in August 1996 and was re-designated as Non-executive Director of the Company in September 2004. He is also a member of the Audit Committee of the Company. He is currently a non-executive director of High Fashion International Limited and an independent non-executive director of L.K. Technology Holdings Limited, both of which are listed companies in Hong Kong. He is a practising solicitor in Hong Kong and a partner of Wilkinson & Grist.

An engagement letter has been entered into with Mr. Chan for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Chan will receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Mr. Chan will be HK$200,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chan. For the financial year ended 31 December 2008, the director's fee of Mr. Chan is HK$200,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Mr. Chan's experience and duties as well as the then prevailing market conditions.

Mr. Lee Fook Sun, aged 52. Mr. Lee was appointed a Non-executive Director of the Company in December 2007. Mr. Lee graduated from the University of Oxford with a Bachelor of Arts (Honours) and a Master of Arts (Engineering Science) degree and completed the Stanford Executive Programme at Stanford University. He served in the Singapore Ministry of Defence as Director of Joint Intelligence Directorate from 1996 to 2000 and retired from active military services with a rank of Brigadier General. Currently, he is the Deputy President, Operations and President, Defence Business of Singapore Technologies Electronics Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

An engagement letter has been entered into with Mr. Lee for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Lee will receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Mr. Lee will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Lee. For the financial year ended 31 December 2008, the director's fee of Mr. Lee is HK$150,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Mr. Lee's experience and duties as well as the then prevailing market conditions.

Mr. James Alan Chiddix, aged 63. Mr. Chiddix was appointed a Non-executive Director of the Company in February 2009. Mr. Chiddix attended Cornell University where he studied electrical engineering. He served as chairman and chief executive officer at OpenTV Corp., a company listed in The Nasdaq Stock Market ("Nasdaq") in U.S.A., from 2004 to 2007, and continues to serve on its board as vice chairman following the sale of control of OpenTV Corp. by Liberty Media Corporation to The Kudelski Group of Switzerland in 2007. Prior to joining OpenTV Corp., Mr. Chiddix served as president of Mystro TV, a division of Time Warner Inc. Before joining Mystro TV, Mr. Chiddix was chief technical officer at Time Warner Cable for 15 years. He was the vice chairman of Vyyo, Inc., a company listed in Nasdaq and was taken private by its largest shareholder in December 2008, from April 2007 to December 2008. Mr. Chiddix also serves on the boards of Virgin Media and Symmetricom, Inc., both of which are companies listed in Nasdaq. He also serves on the board of Dycom Industries, Inc., a company listed in the New York Stock Exchange. Mr. Chiddix is an engineering executive and has extensive experience in cable industry and technology industry.

An engagement letter has been entered into with Mr. Chiddix for a term commencing on 16 February 2009 and expiring on 31 December 2010. Under the engagement letter, Mr. Chiddix will receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Mr. Chiddix will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chiddix. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Mr. Chiddix's experience and duties as well as the then prevailing market conditions.

Ms. Kan Lai Kuen, Alice, aged 54. Ms. Kan was appointed an Independent Non-executive Director of each of the Company and Shougang International in September 2004. She is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. Ms. Kan has over 15 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the managing director of each of Asia Investment Management Limited and Asia Investment Research Limited, both companies are licensed corporations under the SFO. Ms. Kan is licensed as a responsible officer of each of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited under the SFO. She is also an independent non-executive director of each of Regal Hotels International Holdings Limited, G-Vision International (Holdings) Limited, Sunway International Holdings Limited, Shimao Property Holdings Limited and China Energine International (Holdings) Limited, all of which are listed companies in Hong Kong. During the period from April 2005 to September 2006, Ms. Kan was an independent non-executive director of SNP Leefung Holdings Limited whose shares were delisted from the Stock Exchange in September 2006.

An engagement letter has been entered into with Ms. Kan for a term of three years commencing on 1 January 2008. Under the engagement letter, Ms. Kan will receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Ms. Kan will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Kan. For the financial year ended 31 December 2008, the director's fee of Ms. Kan is HK$240,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Ms. Kan's experience and duties as well as the then prevailing market conditions.

Mr. Wong Kun Kim, aged 64. Mr. Wong was appointed an Independent Non-executive Director of each of the Company and Shougang International in September 2004. He is also the Chairman of Audit Committee and a member of each of the Nomination Committee and Remuneration Committee of the Company. Mr. Wong holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute and is licensed as a responsible officer of each of Asia Investment Management Limited and Asia Investment Research Limited under the SFO. Mr. Wong has over 30 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. He had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America and is currently an independent non-executive director of Sunway International Holdings Limited, a Hong Kong listed company.

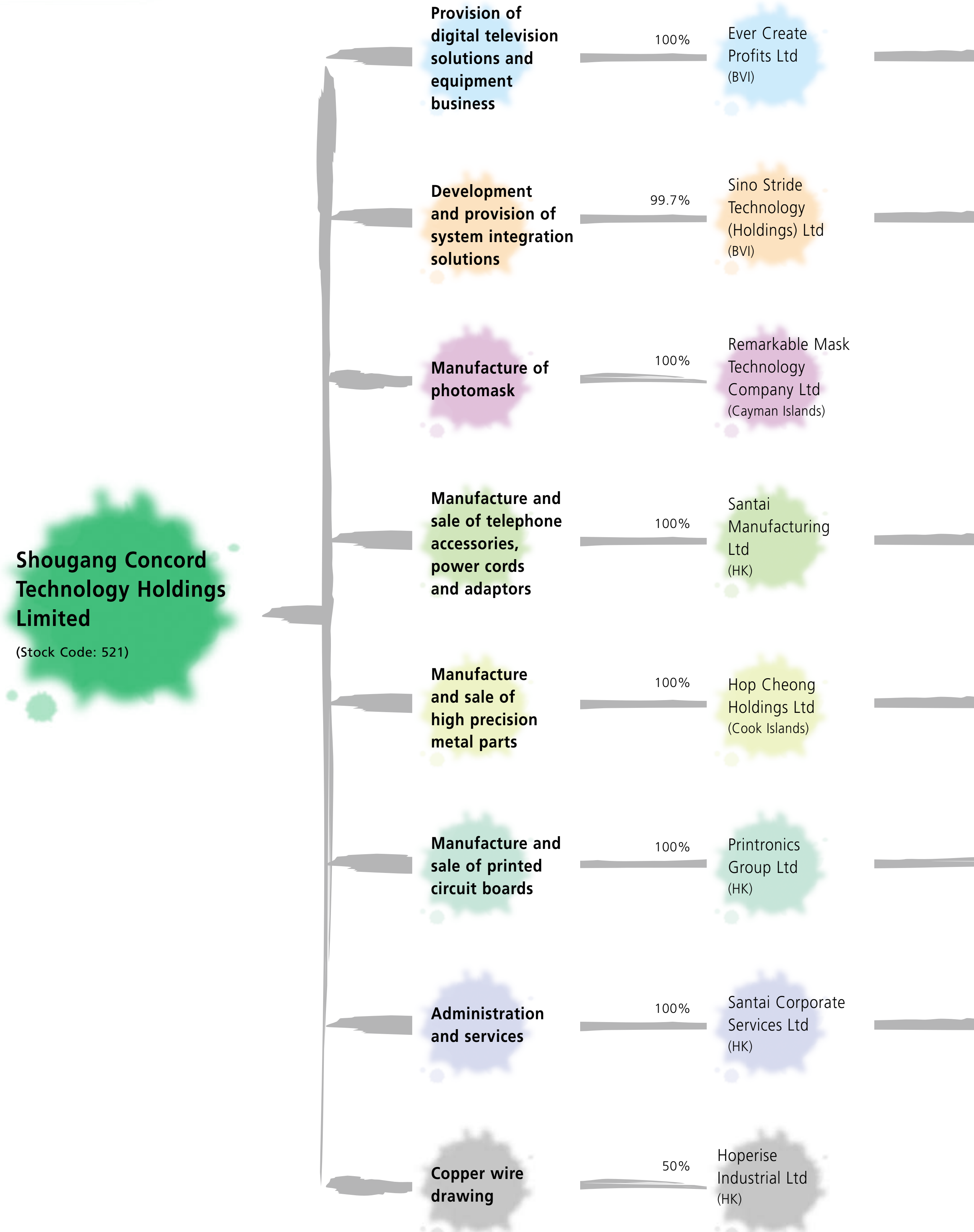
An engagement letter has been entered into with Mr. Wong for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Wong will receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. For the financial year ended 31 December 2008, the director's fee of Mr. Wong is HK$240,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

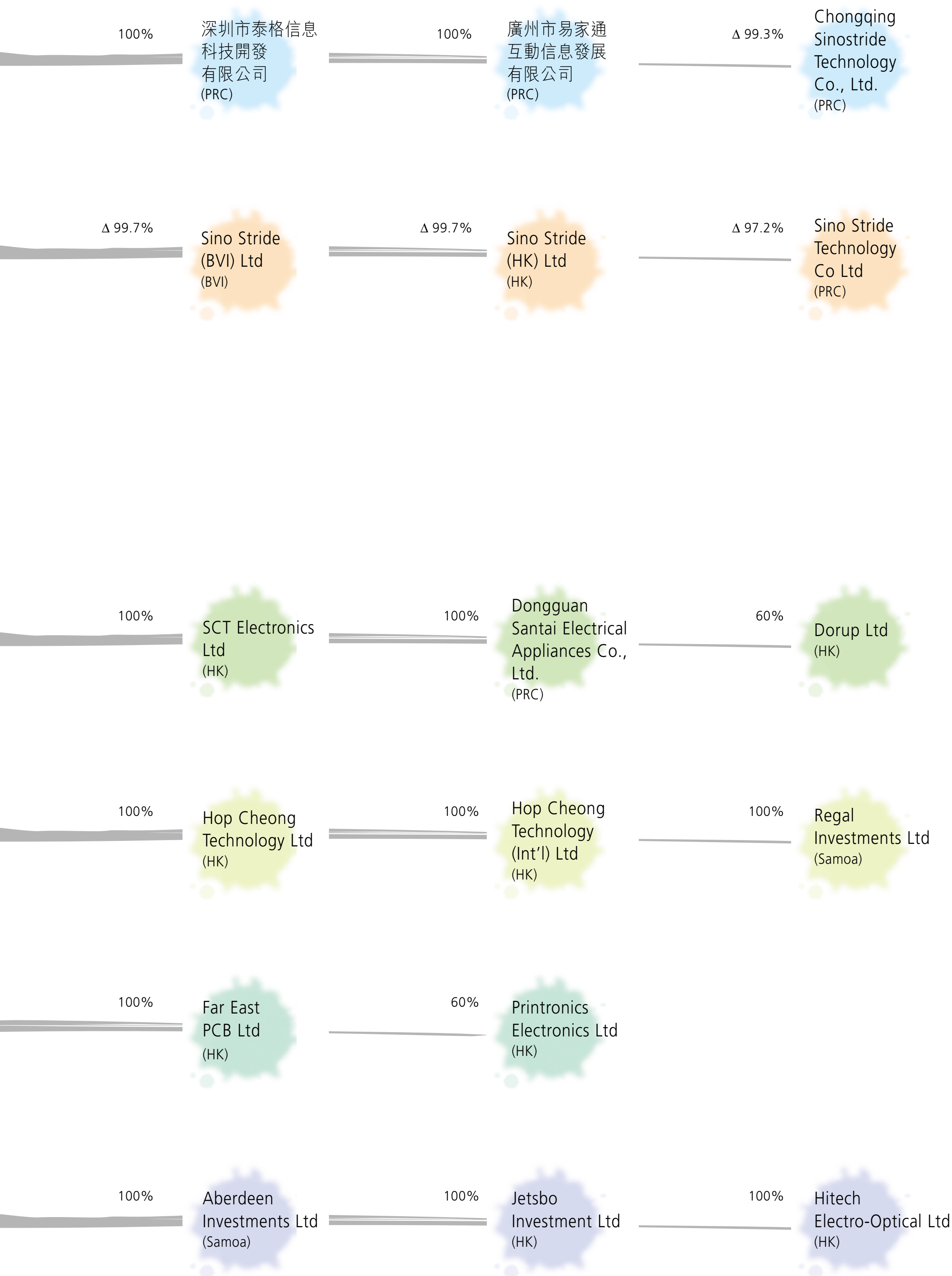
Mr. Leung Kai Cheung, aged 63. Mr. Leung was appointed an Independent Non-executive Director of each of the Company and Shougang International in June 2006. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Leung graduated from the Chinese University of Hong Kong with a bachelor degree in business. He had been a senior executive of Citibank, N.A. and the general manager of Barclays Bank PLC in charge of Kowloon and New Territories district. He is currently the chairman of each of Star International Enterprises Limited and Shinon Technologies Limited. He is one of the founding shareholders of China E-Learning Group Limited whose shares are listed on the GEM of the Stock Exchange. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

An engagement letter has been entered into with Mr. Leung for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Leung will receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Mr. Leung will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. For the financial year ended 31 December 2008, the director's fee of Mr. Leung is HK$240,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2008



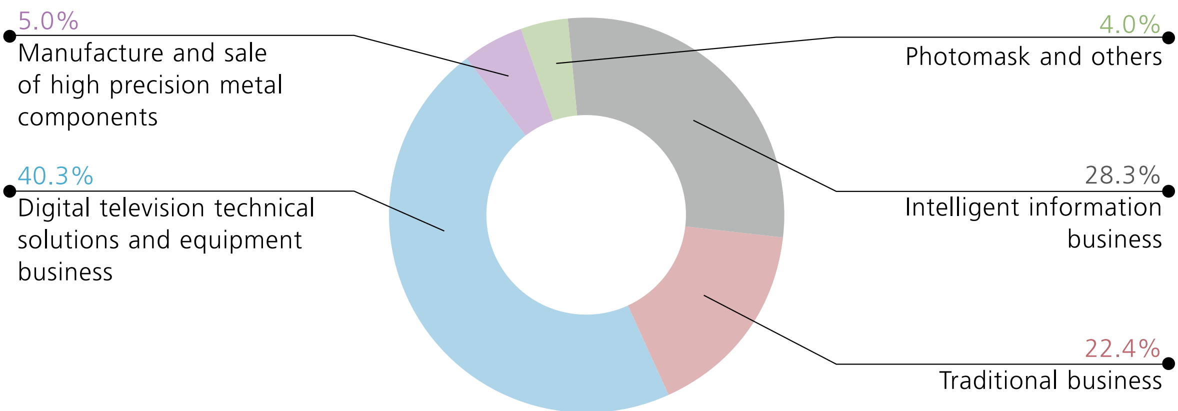


Notes:

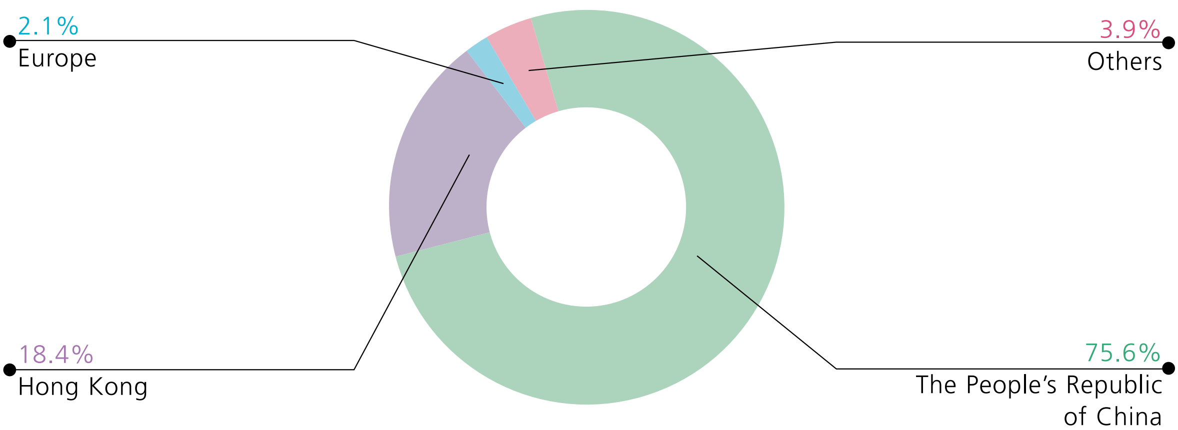
Δ Attributable interest held by Shougang Concord Technology Holdings Limited

FINANCIAL HIGHLIGHTS

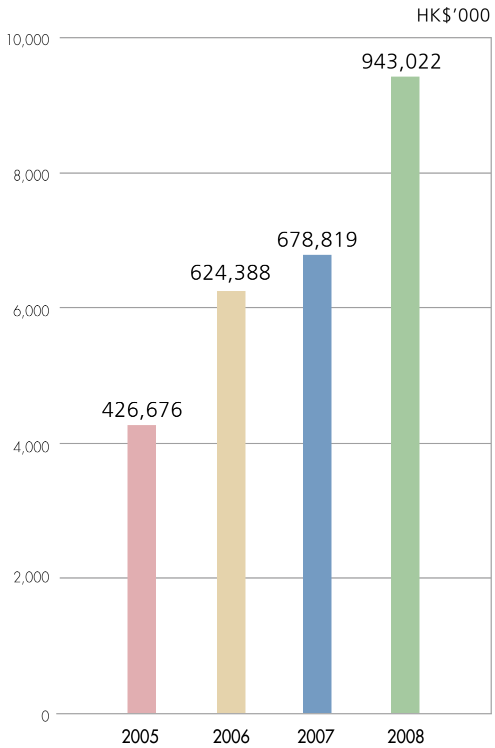
TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2008



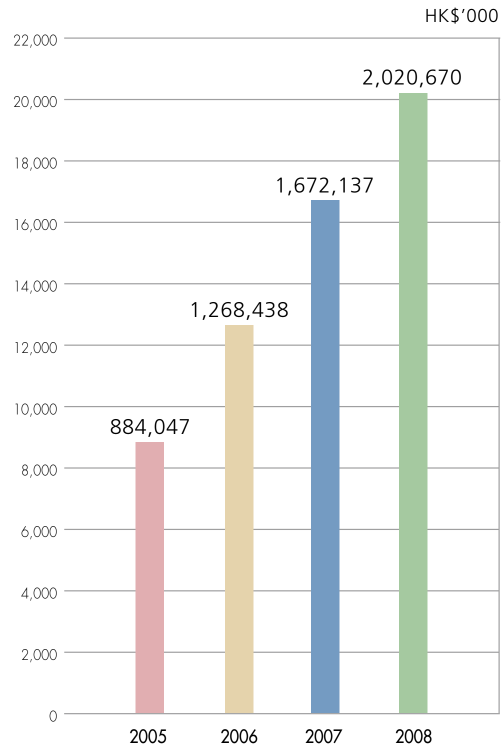
TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2008



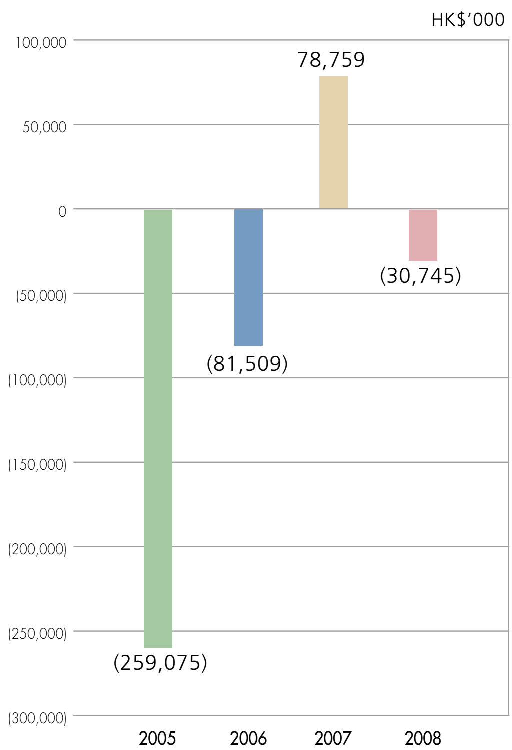
TURNOVER



TOTAL ASSETS



PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

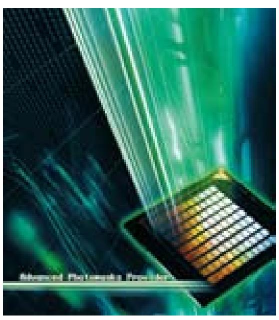


CHAIRMAN'S STATEMENT

The global economy has been seriously struck by the financial tsunami in 2008. Hong Kong and the PRC cannot be immune from the crisis. Against this background, the Group recorded a loss of approximately HK$31,000,000 in 2008, as compared with a profit of approximately HK$79,000,000 in 2007.

Despite the deterioration in the economic conditions, the Group has successfully established its digital cable television business in Guangdong province during the year under review through cooperation with Guangdong Southern Yinshi Network Media Company Limited in the development and operation of digital cable television business since March 2008. This involves primarily the Group in the role of a technical service provider and equipment supplier for digital televisions, which include providing technical solutions and equipment for digital television. This new business has yielded a remarkable return to the Group. The Group has decided to put more emphasis on the digital cable television business by innovating and transforming its Dongguan production plant into a production centre for digital television equipment. The digital cable television business is expected to become a key driver of the Group in the future.

The Group issued convertible notes of HK$385,000,000 in April 2008 to fund the development of the digital cable television business. The successful issue of convertible notes reflected the support by the investors of the strategic switch to digital cable television business.



As regards our photomask business, the Group intends to establish a joint venture company in the PRC for the conduct of research and development and manufacture of photomasks, to which our existing photomask production machinery and equipment will be transferred. The Group believes that such a platform will enable strategic investors to participate and the introduction of massive capital resources and advanced technology support from strategic partners can help enhance the efficiency and technology for the production of photomasks.

On behalf of the Board of Directors, I would like to express our sincere thanks to our customers, vendors, shareholders and business partners for their continuous support and would like to extend my gratitude to all management and staff for their dedication and contribution to the Group's continued progress throughout the year.

Cao Zhong
Chairman

Hong Kong, 9 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the economy condition in Hong Kong has been dampened by the global financial crisis resulting from the sub-prime crisis in the second half year. The global financial crisis continues to pose uncertainties to the future economy of Hong Kong. Under the circumstances, the operation environment of the Group has experienced huge challenge especially during the second half of the year under review.

The core businesses of the Group operates mainly in the China. Among them, digital cable television business and the intelligent information business could make a profit contribution to the Group during the year under review. However, due to the losses recorded in other businesses of the Group, including traditional business (the production of telephone accessories, power cords, adaptors and electronic products), photomask business and a jointly controlled entity engaged in copper wire manufacturing, the Group recorded a loss attributable to equity holders of the Company of HK$30,745,000 during the year under review. The basic loss per share for the year 2008 is HK1.6 cents. The Group reported a consolidated turnover of HK$943,022,000 for the year, representing an increase of 38.9% over last year.

Digital Television Business

The digital cable television business of the Group is mainly engaged in the provision of digital television equipment in the PRC and technical solutions for digital television to digital cable television operators in Guangdong province. The overall switch to digital cable television nationwide will be one of the major infrastructure projects in the PRC. In addition to funding support, the PRC government shows its support for the industry by issuing an official document "Policies to Foster Development in the Digital Television Industry (關於鼓勵數字電視產業發展的若干政策)" on 1 January 2008, which encourages the overall switch to digital cable television nationwide. On 18 February 2009, the State also issued the "Adjustment and Stimulus Plans for Electronics and Information Industry (電子信息產業調整振興規劃)" which clearly proposes to make digital television promotion one of the six major projects of the stimulus plans for electronics and information industry.

BUSINESS REVIEW (continued)

Digital Television Business (continued)

The Group collaborates 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 since March 2008. The Group acts as a technical service provider and equipment supplier with respect to digital television and is principally engaged in the provision of technical solutions and digital television equipment.

As at 31 December 2008, the Group has, together with Southern Yinshi, already set up 15 local digital television operating companies (hereinafter abbreviated as the "local operating companies") in Guangdong Province. Southern Yinshi has also, through various local operating companies, successfully entered into agreements with relevant local television stations and established an operational platform with approximately 1,200,000 users of cable television.

During the year under review, the Group has, pursuant to the cooperative agreement it entered into with Southern Yinshi, received an operating income of technical service fees from local operating companies of approximately RMB64,000,000 (approximately HK$70,400,000). During the year under review, the Group recorded turnover of approximately HK$309,441,000 for provision and manufacturing of digital television equipment and the digital television business contributed approximately HK$171,000,000 profit to the Group.

System Integration Solution Business

During the year under review, the system integration solution services has 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") during 2008 amounted to HK$266,706,000 (2007: HK$280,410,000) and HK$24,176,000 (2007: HK$16,770,000) respectively.

As a leading provider of system integration solutions, it is anticipated that SST will continue to generate earning and profit for the Group in future.

Photomasks

The turnover from photomasks decreased from HK$46,461,000 in 2007 to HK$37,987,000 in 2008, while loss increased from HK$64,214,000 to HK$69,089,000 for the year. The increase in loss was mainly attributable to the depreciation in the value of fixed assets.

BUSINESS REVIEW (continued)

Traditional business

Traditional business comprises the trading and manufacturing of telephone accessories, power cords, adaptors and electronic products. The turnover of traditional business fell by 25% to HK$209,489,000 (2007: HK$279,289,000), while loss attributable to the Group significantly increased to HK$34,322,000 (2007: HK$5,557,000). The increase in loss was mainly attributable to the rising labor cost and raw material prices during the year under review. Moreover, the appreciation of Renminbi has adversely affected the production costs of traditional business. The global financial crisis has also pressurized the sales of traditional business in the second half year. At the same time, there had been a number of floods in Dongguan, China in June 2008, which had damaged part of the Group's assets, including machinery and inventory during the year under review. Up to the date of this annual report, the management is still negotiating with the insurance company with respect to the claims made by the Group.

Jointly controlled entity – copper wire

Having affected by the global financial crisis, the global copper prices continued to drop significantly in the second half of 2008. The sales from the jointly controlled entity engaged in the copper wire manufacturing decreased by 32%, and there was an unrealised loss arising from difference between the purchase price of the inventory and the existing commodity prices. Consequently, loss of approximately HK$27,325,000 (2007: profit of approximately HK$6,776,000) was shared by the Group in 2008.

OTHER INVESTMENTS

The Group held 60% interests in Printronics Electronics Limited (hereinafter abbreviated as "Printronics Electronics") which is an investment holding company. The sole investment of Printronics Electronics is its interests in Tianjin Printronics Circuit Corporation ("TPC") which shares are listed on Shenzhen Stock Exchange and is principally engaged in the manufacture of printed circuit boards in the PRC. On 30 September 2008, Printronics Electronics paid a special dividend which was satisfied by way of a distribution in specie of its 51,649,630 shares of TPC, being all the shareholding in TPC held by Printronics Electronics. As disclosed in the Company's 2007 annual report, it has been the intention of the Group to divest in its non-core businesses. The Group has disposed 10,000,000 shares of TPC during the year.

PROSPECT

It is expected that the recession of global economy will continue in the first half of 2009. An economic recovery is subject to the successful implementation of macro-economic policies to tackle the financial crisis and the recovery pace of the global industry and commerce. Under such turbulent market and economy condition, it is foreseeable that the operation environment of the companies in Hong Kong and China will face great challenges in the coming year.

Looking forward, we believe that the financial storm and its effects will finally pass. We remain optimistic about the economy of China (including Hong Kong). We believe that with the State's strong foreign reserve, solid economic base and well-planned macro-economic policies, China will be able to tide over the storm and prosper well. As the principal market of the Group is mainland China, we believe the Group can keep pace with China to survive the financial storm.

In the short term, the Group will make investment in the digital cable television business in China in a stable manner. In the long run, the Group will expand its digital cable television business to other provinces in China. The Group is well positioned to benefit from the future nationwide switch to digital cable television in the PRC.

The Group intends to establish a joint venture in China, which will be a base for technology development and manufacturing of photomasks. The Group believes that strategic partners will provide with not only massive capital resources but also advanced technology support. With scale of production and improved efficiency and technology, the formation of the joint venture in China can reduce production costs and enhance profit margin. It is also a good chance for the Group to step up its presence in the photomasks sector in China.

The Group expects that it can deliver more fruitful returns to its shareholders by reforming its principal business, divesting its non-core or non-profitable businesses, introducing strategic partners to its business and reinforcing the internal control and operational system of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's gearing ratio (total borrowings divided by equity) increased to 0.61 (31 December 2007: 0.41) whereas current ratio (current assets divided by current liabilities) increased to 1.8 (31 December 2007: 1.5).

As at 31 December 2008, bank loans decreased by approximately HK$72,679,000 to HK$287,218,000 (31 December 2007: HK$359,897,000).

As at 31 December 2008, there was no capital commitments signed up but not yet provided for nor authorised but not yet signed up by the Group and its jointly controlled entities.

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.

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 had exercised their share options to subscribe for a total of 64,132,190 shares and the Group also had repurchased 41,492,000 shares through the Stock Exchange of Hong Kong Limited during the year under review.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than those disclosed in the paragraph of Business Review above, the Group had no material acquisition, disposals and significant investment during the year ended 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 in 2007 to approximately HK$18,037,000 as at 31 December 2008. In addition, one of the subsidiaries, SST has provided a cross guarantee of approximately HK$50,850,000 (2007: HK$58,300,000) for credit facilities granted to third parties.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of approximately 1,495 employees as at 31 December 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.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2008.

BOARD OF DIRECTORS

Composition

The Board currently comprises four Executive Directors, five Non-executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report.

The Board includes a balanced composition of executive and non-executive directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of Non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance.

The Board members have no financial, business, family or other material/relevant relationships with each other.

BOARD OF DIRECTORS (continued)

Composition (continued)

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

Composition of the Board, including names of Independent Non-executive Directors of the Company, is disclosed in all corporate communications to shareholders.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Company and its subsidiaries (the "Group"). It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

Board meetings

The Board has four scheduled meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are open for inspection by any Director/ committee member.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

Attendance Records

During the financial year ended 31 December 2008, the Directors have made active contribution to the affairs of the Group and five Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance records in 2008 are as follows:

	Meetings attended/Eligible to attend
Executive Directors	
Cao Zhong	5/5
Chau Chit	5/5
Tzu San Te	4/5
Chen Jianyong *(resigned on 1 August 2008)*	3/3
Non-executive Directors	
Leung Shun Sang, Tony	5/5
Chen Jang Fung	0/5
Chan Wah Tip, Michael	5/5
Lee Fook Sun	2/5
Independent Non-executive Directors	
Kan Lai Kuen, Alice	5/5
Wong Kun Kim	5/5
Leung Kai Cheung	5/5

BOARD OF DIRECTORS (continued)

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including Non-executive Director), is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors. One of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and the Managing Director are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Cao Zhong assumes the role of the Chairman and Mr. Chau Chit serves as the Managing Director of the Company. The Chairman provides leadership for the Board and overall strategic formulation for the Group. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

BOARD COMMITTEE

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established in April 2005 and comprises all Executive Directors of the Company.

As at 31 December 2008, the members of the Executive Committee were as follows:

- Mr. Cao Zhong *(Chairman)*
- Mr. Chau Chit
- Mr. Tzu San Te

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group. During the year, twenty-five meetings of the Executive Committee were held.

BOARD COMMITTEE (continued)

Audit Committee

An Audit Committee of the Board was established in December 1998 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are available on request and are posted on the Company's website.

The principal duties of the Audit Committee include, among other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements; and
- reviewing the Company's financial reporting system and internal control procedures.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

The Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors. None of the members of the Audit Committee are former partners of the auditor of the Company. The members of the Audit Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Wong Kun Kim *(Chairman)*	2/2
Chan Wah Tip, Michael	2/2
Kan Lai Kuen, Alice	2/2
Leung Kai Cheung	2/2

During the year, two meetings of the Audit Committee were held for, amongst other things:

- reviewing the final results of the Group for the financial year ended 31 December 2007; and
- reviewing the interim results of the Group for the six months ended 30 June 2008.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEE (continued)

Nomination Committee

A Nomination Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are available on request and are posted on the Company's website.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and
- assessing the independence of Independent Non-executive Directors.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

BOARD COMMITTEE (continued)

Nomination Committee (continued)

The members of the Nomination Committee during the year and their attendance were as follows:

	Meeting attended/Eligible to attend
Cao Zhong *(Chairman)*	1/1
Leung Shun Sang, Tony *(Vice Chairman)*	1/1
Kan Lai Kuen, Alice	1/1
Wong Kun Kim	1/1
Leung Kai Cheung	1/1

The Independent Non-executive Directors of the Company constitute the majority of the committee.

During the year, one meeting of the Nomination Committee was held for reviewing the structure of the Board.

Remuneration Committee

A Remuneration Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are available on request and are posted on the Company's website.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving performance-based remuneration;
- determining the specific remuneration packages of all Executive Directors and senior management and making recommendation to the Board of the remuneration of Non-executive Directors;
- reviewing and approving the compensation payable to Executive Directors and senior management and the compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

BOARD COMMITTEE (continued)

Remuneration Committee (continued)

The Remuneration Committee may consult the Chairman about their proposals relating to the remuneration of other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The members of the Remuneration Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Leung Shun Sang, Tony *(Chairman)*	2/2
Cao Zhong *(Vice Chairman)*	2/2
Kan Lai Kuen, Alice	2/2
Wong Kun Kim	2/2
Leung Kai Cheung	2/2

The Independent Non-executive Directors of the Company constitute the majority of the committee.

During the year, two meetings of the Remuneration Committee were held for, amongst other things:

- reviewing the remuneration policies of the Company and the remuneration and terms of service contracts of the Executive Directors of the Company;
- determining the bonuses of the Executive Directors of the Company for the years 2007 and 2008; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the years 2008 and 2009.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by regularly and continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

The internal control system is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or eliminate such risks.

The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls. The Executive Committee holds periodical meetings with the senior management of each principal business unit and the finance team to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

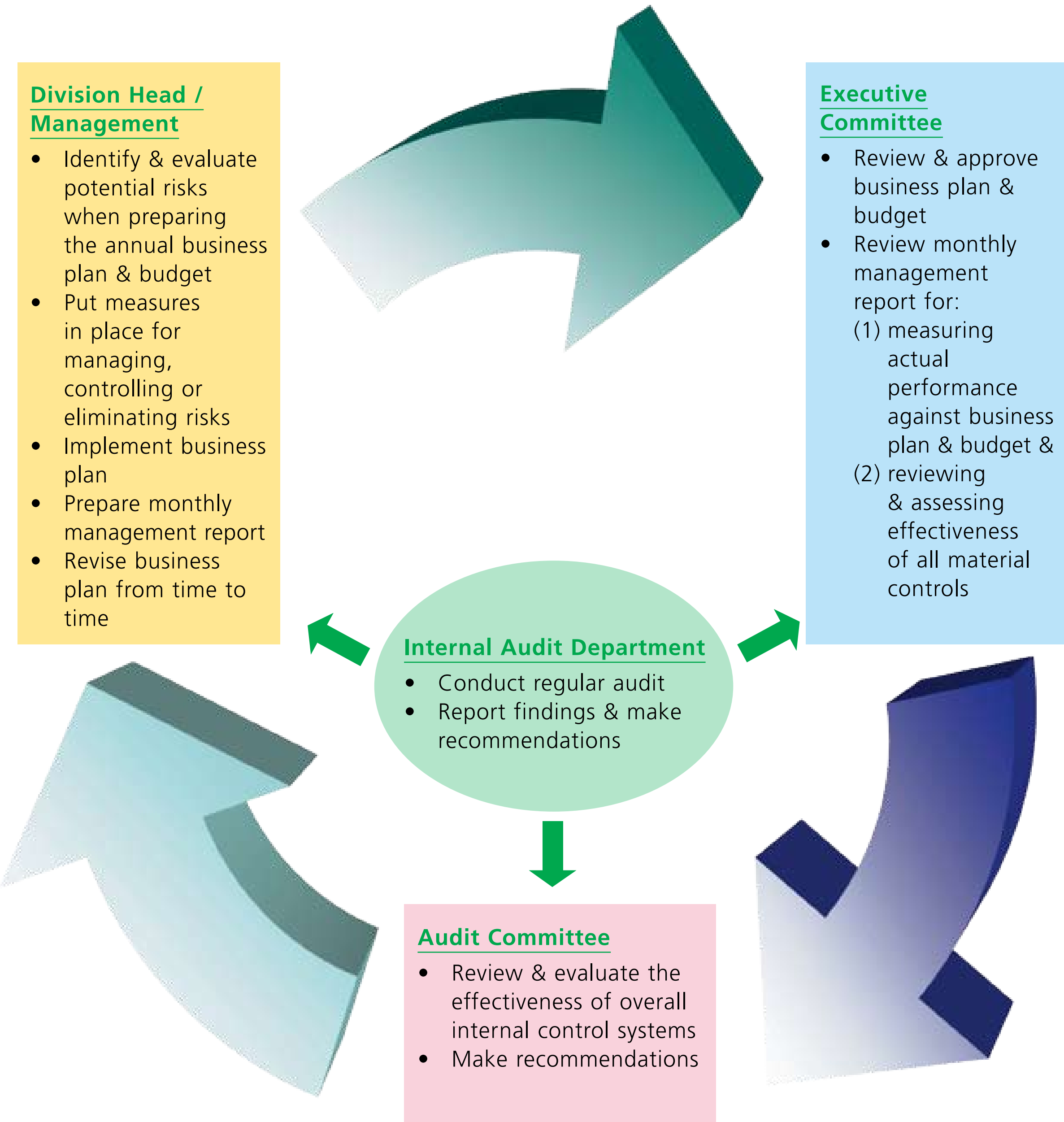
The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems.

INTERNAL CONTROL (continued)

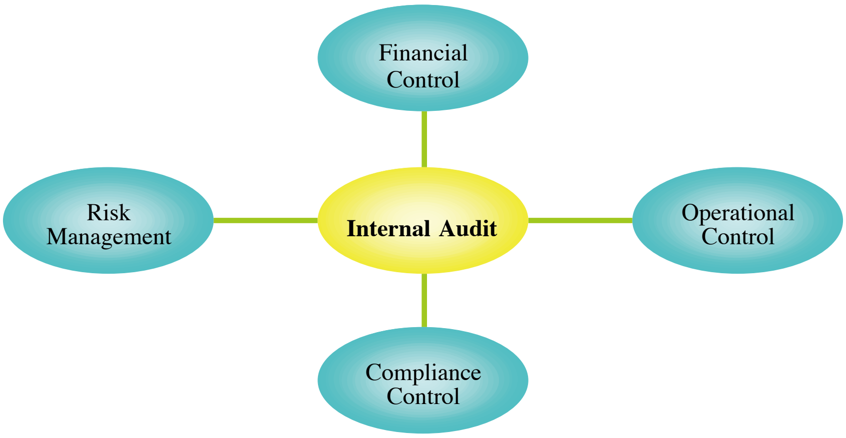
The Company has set up an Internal Audit Department in early 2009 which will assist the Executive Committee and the Audit Committee to discharge its duties in internal control aspects. The Internal Audit Department, which is independent to the operational departments of the Group, will be responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department will report to the Executive Committee and the Audit Committee with its findings and make recommendations to improve the internal control systems of the Group.

Internal control system



INTERNAL CONTROL (continued)

Internal audit functions



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee, continuously reviewing the effectiveness of the Group's internal control systems. In the year, the Audit Committee took the initiatives to strengthen the overall internal control function and enhance risk management within the Group by making recommendation to the Board to carry out an independent internal control audit. On the recommendation of the Audit Committee, the Group has engaged professional firms to carry out independent review on certain key internal control systems of the Group.

To comply with the new code provision C.2.2 of the Code which became effective on 1 January 2009, the Board will include the review of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget in its annual review since 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules 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 year ended 31 December 2008.

Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable
	HK$'000
Audit services	4,280
Non-audit services:	
Taxation	375
	4,655

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the interim and annual financial statements, announcements and other financial disclosure required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 53 to 54 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-tech.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor are also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

During the year, separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors.

During the year, details of the poll voting procedures and rights of shareholders to demand a poll were included in the Company's circulars convening a general meeting. The chairman of a general meeting also explained the procedures for demanding and conducting a poll before putting a resolution to the vote on a show of hands and (except where a poll was demanded) revealed how many proxies for and against had been filed in respect of each resolution.

The results of the poll, if any, will be published on the websites of the Stock Exchange and the Company respectively.

To comply with the revised Listing Rules which became effective on 1 January 2009, all notices of general meetings despatched by the Company to its shareholders for meetings held on or after 1 January 2009 shall be sent in the case of annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings, and all resolutions put to the vote of a general meeting shall be by way of a poll.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 22, 23 and 24 to the financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Group at that date are set out in the financial statements on pages 55 to 156 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2007: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 157 to 158 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 41 to the financial statements.

CONVERTIBLE NOTES

Details of movements in conversion of the Company's convertible notes during the year are set out in note 39 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 59 to 60 of this annual report and in note 45 to the financial statements, respectively.

DIRECTORS

The Directors of the Company during the year were as follows:

Cao Zhong
Chau Chit
Tzu San Te
Leung Shun Sang, Tony
Chen Jang Fung
Chan Wah Tip, Michael
Lee Fook Sun
Kan Lai Kuen, Alice*
Wong Kun Kim*
Leung Kai Cheung*
Chen Jianyong *(resigned on 1 August 2008)*

* *Independent non-executive Directors*

Subsequent to the balance sheet date, the following persons have been appointed as the Directors of the Company:

Mung Kin Keung
James Alan Chiddix

In accordance with clauses 94 and 103(A) of the Company's articles of association, Mr. Mung Kin Keung, Mr. Chen Jang Fung, Mr. Chan Wah Tip, Michael, Mr. James Alan Chiddix and Mr. Leung Kai Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

The Directors of the Company who held office at 31 December 2008 had the following interests in the shares and underlying shares of the Company at the balance sheet date 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 of Hong Kong Limited (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: Interests in shares	Interests under equity derivatives*	Total interests	Total interests as to % to the issued share capital of the Company as at 31.12.2008
Cao Zhong	Beneficial owner	15,438,000	26,826,000	42,264,000	2.21%
Chau Chit	Beneficial owner and interests of a controlled corporation	316,598,000	10,000,000	326,598,000	17.10%
Tzu San Te	Beneficial owner	–	8,008,000	8,008,000	0.42%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	23,439,810	43,439,810	2.27%
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%

* *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 Schemes" below.*

Save as disclosed above, at the balance sheet date, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Director has declared interests in the following business (other than the business where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Lee Fook Sun	Singapore Technologies Electronics Limited#	Intelligent information business	Director

Such business may be carried out through its subsidiaries.

The Board of Directors of the Company is independent from the board of the above-mentioned entity and is accountable to the Company's shareholders. Coupled with the diligence of the Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of the entity.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At the balance sheet date, 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:

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: Interests in shares	Interests under equity derivatives*	Total interests	Total interests as to % to the issued share capital of the Company as at 31.12.2008	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	429,251,098	–	429,251,098	22.47%	*1*
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	–	231,515,151	12.12%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	–	170,044,069	8.90%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	50,000,000	174,069,394	9.11%	*2, 3*
Max Same Investment Limited ("Max Same")	Beneficial owner	107,654,173	–	107,654,173	5.64%	*2*
Li Ka-shing ("Mr. Li")	Interests of controlled corporations, founder of discretionary trusts	124,069,394	200,000,000	324,069,394	16.96%	*3, 4*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	50,000,000	174,069,394	9.11%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	50,000,000	174,069,394	9.11%	*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 31.12.2008	*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	9.11%	*3*
Mayspin Management Limited ("Mayspin")	Interests of a controlled corporation	–	150,000,000	150,000,000	7.85%	*4*
Sicilia Holdings Limited("Sicilia")	Beneficial owner	–	150,000,000	150,000,000	7.85%	*4*
Chau Chit ("Mr. Chau")	Interests of a controlled corporation	301,160,000	–	301,160,000	15.76%	5
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	–	301,160,000	15.76%	5
Temasek Holdings (Private) Limited ("Temasek")	Interests of controlled corporations	133,523,480	–	133,523,480	6.99%	6
Singapore Technologies Engineering Ltd ("ST Engineering")	Interests of a controlled corporation	133,523,480	–	133,523,480	6.99%	6
Singapore Technologies Electronics Limited ("ST Electronics")	Beneficial owner	133,523,480	–	133,523,480	6.99%	6
Argepa Participations S.A.	Interests of controlled corporations	80,000,000	150,000,000	230,000,000	12.04%	7
Zygmunt Zaleski Stichting ("ZZS")	Interests of controlled corporations	80,000,000	150,000,000	230,000,000	12.04%	7

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: Interests in shares	Interests under equity derivatives*	Total interests	Total interests as to % to the issued share capital of the Company as at 31.12.2008	Note(s)
Carlo Tassara S.p.A. ("CT S.p.A.")	Interests of controlled corporation	80,000,000	150,000,000	230,000,000	12.04%	7

* *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 15 August 2008 (being the latest disclosure form filed up to 31 December 2008) that as at 13 August 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 21 August 2008 (being the latest disclosure form filed up to 31 December 2008) that as at 15 August 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)

Notes: (continued)

4. Mr. Li indicated in his disclosure form dated 8 April 2008 (being the latest disclosure form filed up to 31 December 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 31 December 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 16 October 2008 (being the latest disclosure form filed up to 31 December 2008) that as at 13 October 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 31 December 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 31 December 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. Argepa Participations S.A. indicated in its disclosure form dated 23 January 2009 (being the latest disclosure form filed up to the date of this annual report) that as at 16 October 2008, its interests included 230,000,000 shares of the Company held by Carlo Tassara Assets Management S.A. ("CTAM S.A.) which was controlled by Carlo Tassara International S.A. ("CTI S.A.) and CT S.p.A. as to 83.42% and 16.58% respectively. CTI S.A. is a wholly-owned subsidiary of CT S.p.A. which in turn was controlled by Argepa Participations S.A. as to 48.8%.

   ZZS indicated in its disclosure form dated 23 January 2009 (being the latest disclosure form filed up to the date of this annual report) that as at 16 October 2008, its interests included 230,000,000 shares of the Company held by CTAM S.A. which was controlled by CTI S.A. and CT S.p.A. as to 83.42% and 16.58% respectively. CTI S.A. is a wholly-owned subsidiary of CT S.p.A. which in turn was controlled by ZZS as to 47.15%.

   CT S.p.A. indicated in its disclosure form dated 23 January 2009 (being the latest disclosure form filed up to the date of this annual report) that as at 16 October 2008, its interests included 230,000,000 shares of the Company held by CTAM S.A. which was controlled by CTI S.A. and CT S.p.A. as to 83.42% and 16.58% respectively. CTI S.A. is a wholly-owned subsidiary of CT S.p.A.

Save as disclosed above, at the balance sheet date, 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEMES

(a) Share Option Scheme 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.

The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The Scheme will remain in force for a period of 10 years commencing on 7 June 2002, being the date of adoption of the Scheme, to 6 June 2012.

Under the Scheme, the Directors may, at their discretion, offer Directors (including Executive and Non-executive Directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the Directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 262,492,810 which represents approximately 13.74% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 193,468,898, representing approximately 10.13% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

The period during which a share option may be exercised will be determined by the Directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

No share option was lapsed or cancelled in accordance with the terms of the Scheme during the year. Details of the movements in the share options under the Scheme during the year were as follows:

	Options to subscribe for shares of the Company								
Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Exercised during the year[2]	At the end of the year	Date of grant	Exercise period	Exercise price per share
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			

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

	Options to subscribe for shares of the Company								
Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Exercised during the year[2]	At the end of the year	Date of grant	Exercise period	Exercise price per share
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			
Chen Jianyong	5,292,000	–	(5,292,000)[3]	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	–	5,000,000	(5,000,000)[3]	–	–	–	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	–	–	–	(16,730,190)	423,810	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	–	–	(16,730,190)	23,439,810			
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			

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Exercised during the year[2]	At the end of the year	Date of grant	Exercise period	Exercise price per share
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			
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	(10,292,000)	–	(47,606,190)	88,043,810			

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Exercised during the year[2]	At the end of the year	Date of grant	Exercise period	Exercise price per share
	Options to subscribe for shares of the Company								
Employees of the Group	2,000	–	–	–	–	2,000	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	–	–	–	4,000,000[4]	–	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK$1.200
	500,000	–	–	5,292,000[3]	(500,000)	5,292,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	–	94,000,000	–	5,000,000[3]	–	99,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	502,000	94,000,000	–	14,292,000	(500,000)	108,294,000			
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)[4]	–	–	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	(14,292,000)	14,292,000	(64,132,190)	262,492,810			

Notes:

1. (a) 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.

   (b) 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 42 to the condensed consolidated financial statements.

2. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$0.85 per share.

3. The share options were held by Mr. Chen Jianyong who ceased to be a director of the Company during the year. The Board of Directors of the Company approved the extension of the exercise period for such share options up to 18 January 2017 and 21 January 2018 respectively and such share options were re-classified from the category of "Directors of the Company" to "Employees of the Group" during the year.

4. The share options were held by a grantee who became an employee of the Group during the year and such share options were re-classified from the category of "Other participants" to "Employees of the Group" during the year.

SHARE OPTION SCHEMES (continued)

(b) Share option scheme 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.

The purpose of the Remarkable Scheme is to enable Remarkable to grant share options to selected participants as incentives or rewards for their contribution to Remarkable or its subsidiaries. The Remarkable Scheme will remain in force for a period of 10 years commencing on 8 June 2004, being the date on which the Remarkable Scheme was approved by the shareholders of the Company, to 7 June 2014.

Under the Remarkable Scheme, the directors of Remarkable may, at their absolute discretion, offer directors or proposed directors (including executive, non-executive or independent non-executive directors), employees or proposed employees (whether full-time or part-time), suppliers and customers of Remarkable or any of its subsidiaries or any of its associated companies, persons or entities that provide consultancy, advices, research, development or other technological support to Remarkable or any of its subsidiaries or any of its associated companies, partners or business associates and shareholders of Remarkable or any of its subsidiaries or any of its associated companies or holders of any securities issued by Remarkable or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of Remarkable, provided always that such determination shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.

No share option was granted in accordance with the terms of the Remarkable Scheme since its adoption.

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

The total number of shares of Remarkable available for issue upon exercise of all share options which may be granted under the Remarkable Scheme is 3,300,000, representing approximately 7.33% of the issued share capital of Remarkable as at the date of this annual report. The total number of shares of Remarkable issued and to be issued upon the exercise of share options granted under the Remarkable Scheme (including both exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of Remarkable as at the date of grant. Any further grant of share options in excess of this limit is subject to the approval of shareholders of the Company in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of Remarkable in issue and the value of which is in excess of HK$5,000,000 (based on the date of grant), within any 12-month period, are subject to the approval of shareholders of the Company in advance in a general meeting.

The period during which a share option may be exercised will be determined by the directors of Remarkable at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Remarkable Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of Remarkable are empowered to impose at their discretion any such minimum period at the time of grant of any share options, provided always that such conditions shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

The exercise price in relation to each share option will be determined by the directors of Remarkable at their discretion and shall not be less than the nominal value of the shares of Remarkable and shall be subject to the approval of the directors of the Company or any committee duly constituted thereof. The exercise price in respect of each share option granted after the Company has contemplated a separate listing of Remarkable on the main board or the Growth Enterprise Market ("GEM") of the Stock Exchange or an overseas stock exchange and up to the listing date of Remarkable must be not lower than the new issue price (if any) of the shares of Remarkable. In the event that Remarkable is separately listed on the main board or the GEM of the Stock Exchange or an overseas stock exchange, the Remarkable Scheme will continue to have effect pursuant to the terms thereof and the exercise price of each share option in respect of an offer made after such listing shall be at least the higher of (i) the closing price of shares of Remarkable as stated in the stock exchange's daily quotations on the date of offer of share options; (ii) the average closing price of shares of Remarkable as stated in the stock exchange's daily quotations for the five business days immediately preceding the date of offer of share options (and for the purpose of calculating the exercise price where Remarkable has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing); and (iii) the nominal value of the shares of Remarkable.

Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Remarkable Scheme. The offer of a grant of share options must be accepted within 28 days from the date of the offer.

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

During the year, the Company repurchased a total of 41,492,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$29,569,850. The repurchases were made with a view to enhance shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration (expenses excluded)
		HK$	*HK$*	*HK$*
August 2008	28,452,000	0.800	0.696	22,315,240
September 2008	11,948,000	0.610	0.435	6,767,460
October 2008	1,092,000	0.485	0.400	487,150
	41,492,000			29,569,850

All of the shares repurchased were cancelled during the year.

Save as disclosed above, 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 or otherwise) during the year.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company did not have any reserves available for distribution as calculated in accordance with provisions of Section 79B of the Companies Ordinance.

The Company's capital reserve represents a non-distributable reserve.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for 26% and 46% respectively of the total sales for the year. Purchases from the largest one and five largest suppliers accounted for 30% and 37% respectively of the total purchases for the year. None of the Directors of the Company or any of their associates or any shareholders (which, to best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CONTINUING CONNECTED TRANSACTIONS

As stated in the announcement of the Company dated 4 January 2007, the Company entered into a master agreement (the "Master Agreement") with Shougang Concord Century Holdings Limited ("Shougang Century") on 3 January 2007 to renew the transactions as disclosed in the joint announcement published by the Company and Shougang Century on 4 May 2004 in relation to the sale and purchase of copper sheets and brass sheets between the respective subsidiaries of the Company and Shougang Century. Pursuant to the Master Agreement, the Company and/or its associates has agreed to purchase from Shougang Century and/or its associates, and Shougang Century and/or its associates has agreed to supply to the Company and/or its associates, copper sheets, brass sheets and other copper and brass products for a term of three years commencing on 1 January 2007. The annual cap for the transactions under the Master Agreement for each financial year ending 31 December 2007, 31 December 2008 and 31 December 2009 would be HK$10,000,000 and each of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules would be less than 2.5%. The transactions would constitute continuing connected transactions for the Company and was only subject to reporting and announcement requirements as set out in Rule 14A.45 to 14A.47 of the Listing Rules.

The continuing connected transactions as set out above which took place during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that:

(1) the transactions were entered into in the ordinary and usual course of business of the relevant members of the Group;

(2) the transactions were conducted on normal commercial terms, or if there is no available comparison, on terms that are no less favourable than terms available to or from (as the case may be) independent third parties; and

(3) the transactions were entered into in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (continued)

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

As far as the transactions set out in note 52(a) to the financial statements under the heading of "Related Party Transactions" are concerned, the transactions as set out in note (vi) was continuing connected transactions which had been previously disclosed by way of announcement by the Company. The transactions as set out in notes (i), (ii) and (iii) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 52(b) to the financial statements under the heading of "Related Party Transactions" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 52(c) to the financial statements under the heading of "Related Party Transactions" are concerned, the guarantees provided by the guarantors to secure the Group's general banking facilities for the benefit of the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The remaining transactions which took place during the year as set out under the heading of "Related Party Transactions" did not constitute connected transactions under the Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 20 to 33 of this annual report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 54 to the financial statements.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 9 April 2009

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED
首長科技集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 156, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 April 2009

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	**943,022**	678,819
Cost of sales		**(761,842)**	(674,675)
Gross profit		**181,180**	4,144
Other income	9a	**19,974**	9,775
Other expenses	9b	**(29,766)**	(15,589)
Fair value changes on investment properties		**(635)**	1,542
Decrease in fair value of held for trading investments		**(20,432)**	–
Gain on disposal of available-for-sale investments		**15,051**	–
Selling and distribution costs		**(17,495)**	(19,773)
Administrative expenses		**(106,736)**	(79,765)
Gain on deemed disposal of a subsidiary	44	**1,308**	–
Gain on partial disposal of a subsidiary	23(1)	**–**	125,942
Gain on deemed partial disposal of an associate	23(1)	**–**	64,246
Gain on disposal of an associate		**–**	183
Share of results of associates		**7,100**	15,552
Share of results of jointly controlled entities		**(27,325)**	4,804
Finance costs	10	**(46,874)**	(20,472)
(Loss) profit before tax		**(24,650)**	90,589
Income tax expense	11	**(961)**	(3,498)
(Loss) profit for the year	12	**(25,611)**	87,091
Attributable to:			
Equity holders of the Company		**(30,745)**	78,759
Minority interests		**5,134**	8,332
		(25,611)	87,091
(Loss) earnings per share	15		
Basic		**(1.60) HK cents**	4.46 HK cents
Diluted		**N/A**	4.31 HK cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	16	**10,508**	11,092
Property, plant and equipment	17	**226,324**	246,690
Prepaid lease payments	18	**8,993**	9,386
Goodwill	19	**235,364**	222,842
Intangible assets	20	**119,734**	3,075
Deposit paid for acquisition of intangible assets	21	**105,903**	–
Investments in associates	23	**6,122**	151,969
Investments in jointly controlled entities	24	**151,742**	185,692
Available-for-sale investments	26	**15,974**	14,514
Club debentures	27	**630**	630
Deferred tax assets	46	**4,313**	3,010
		885,607	848,900
Current assets			
Prepaid lease payments	18	**393**	393
Inventories	28	**150,553**	127,599
Trade and bills receivables	29	**368,980**	182,202
Prepayments, deposits and other receivables		**120,237**	173,273
Held for trading investments	30	**14,219**	–
Available-for-sale investments	26	**116,221**	–
Amounts due from customers for contract work	31	**188,518**	168,581
Amount due from an associate	32	**47**	–
Amount due from a jointly controlled entity	32	**1,824**	–
Tax recoverable		**17**	17
Pledged bank deposits	34	**18,075**	35,982
Time deposits	35	**–**	80,000
Bank balances and cash	35	**155,979**	55,190
		1,135,063	823,237
Current liabilities			
Trade and bills payables	36	**199,234**	187,068
Other payables, deposits received and accruals		**103,343**	96,262
Amounts due to customers for contract work	31	**24,544**	38,059
Amount due to a jointly controlled entity	32	**–**	10,126
Loan from a related company	37	**20,038**	–
Tax liabilities		**5,930**	7,374
Bank borrowings – due within one year	38	**285,415**	197,214
Obligations under finance leases - due within one year	40	**6,072**	12,442
		644,576	548,545

	Notes	2008 HK$'000	2007 HK$'000
Net current assets		**490,487**	274,692
Total assets less current liabilities		**1,376,094**	1,123,592
Non-current liabilities			
Bank borrowings – due after one year	38	**1,803**	162,683
Convertible loan notes	39	**319,656**	–
Obligations under finance leases			
– due after one year	40	**11,736**	17,770
Deferred tax liabilities	46	**13,413**	160
		346,608	180,613
Net assets		**1,029,486**	942,979
Capital and reserves			
Share capital	41	**477,607**	471,947
Reserves		**534,598**	393,480
Equity attributable to equity holders of the Company		**1,012,205**	865,427
Minority interests		**17,281**	77,552
Total equity		**1,029,486**	942,979

The financial statements on pages 55 to 156 were approved and authorised for issue by the Board of Directors on 9 April 2009 and are signed on its behalf by:

Cao Zhong
DIRECTOR

Chau Chit
DIRECTOR

BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**10,421**	12,232
Investments in subsidiaries	22	**66,313**	59,729
Advances to subsidiaries	22	**164,793**	163,223
Club debentures	27	**520**	520
		242,047	235,704
Current assets			
Other receivables		**928**	519
Amounts due from subsidiaries	33	**1,273,688**	873,786
Time deposits	35	**–**	80,000
Bank balances and cash	35	**4,931**	17,322
		1,279,547	971,627
Current liabilities			
Other payables		**11,746**	11,957
Amounts due to subsidiaries	33	**246,867**	230,258
Loan from a related company	37	**20,038**	–
Bank borrowings – due within one year	38	**181,455**	105,601
		460,106	347,816
Net current assets		**819,441**	623,811
Total assets less current liabilities		**1,061,488**	859,515
Non-current liability			
Bank borrowings – due after one year	38	**1,803**	162,683
Convertible loan notes	39	**319,656**	–
Deferred tax liabilities	46	**12,797**	–
		334,256	162,683
Net assets		**727,232**	696,832
Capital and reserves			
Share capital	41	**477,607**	471,947
Reserves	45	**249,625**	224,885
Equity attributable to equity holders of the Company		**727,232**	696,832

Cao Zhong
DIRECTOR

Chau Chit
DIRECTOR

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000 (Note a)	Translation reserve HK$'000	Capital reserve HK$'000 (Note b)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	428,867	501,788	2,084	360	7,642	53,690	–	–	(375,781)	–	618,650	58,742	677,392
Share of translation reserves of associates	–	–	–	–	4,083	–	–	–	–	–	4,083	–	4,083
Share of translation reserves of jointly controlled entities	–	–	–	–	2,249	–	–	–	–	–	2,249	–	2,249
Exchange difference arising on translation	–	–	–	–	5,977	–	–	–	–	–	5,977	1,874	7,851
Net income recognised directly in equity	–	–	–	–	12,309	–	–	–	–	–	12,309	1,874	14,183
Profit for the year	–	–	–	–	–	–	–	–	78,759	–	78,759	8,332	87,091
Released upon partial disposal of an associate	–	–	–	–	(746)	–	–	–	–	–	(746)	55,864	55,118
Total recognised income and expenses for the year	–	–	–	–	11,563	–	–	–	78,759	–	90,322	66,070	156,392
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
Share options lapsed	–	–	–	–	–	–	–	(100)	100	–	–	–	–
Arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,438	2,438
Shares issued at premium for acquisition of additional interests in subsidiaries	33,381	96,137	–	–	–	–	–	–	–	–	129,518	(44,820)	84,698
Deemed acquisition of associates	–	–	–	–	–	–	–	–	–	–	–	722	722
Share issue expenses	–	(356)	–	–	–	–	–	–	–	–	(356)	–	(356)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(5,600)	(5,600)
At 31 December 2007 and 1 January 2008	471,947	607,960	2,084	360	19,205	53,690	–	7,103	(296,922)	–	865,427	77,552	942,979
Share of translation reserves of associates	–	–	–	–	11,018	–	–	–	–	–	11,018	–	11,018
Share of translation reserves of jointly controlled entities	–	–	–	–	3,375	–	–	–	–	–	3,375	–	3,375
Exchange differences arising on translation	–	–	–	–	15,133	–	–	–	–	–	15,133	3,756	18,889
Gain on fair value changes of available-for-sale investments	–	–	–	–	–	–	73,945	–	–	–	73,945	–	73,945

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000 (Note a)	Translation reserve HK$'000	Capital reserve HK$'000 (Note b)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Net income recognised directly in equity	–	–	–	–	29,526	–	73,945	–	–	–	103,471	3,756	107,227
Transfer to profit or loss on sale of available-for-sale investments	–	–	–		–	–	(25,621)	–	–	–	(25,621)	–	(25,621)
Reserves released upon deemed disposal of a subsidiary	–	–	–	–	(42)	–	–	–	–	–	(42)	–	(42)
Loss for the year	–	–	–		–	–	–	–	(30,745)	–	(30,745)	5,134	(25,611)
Total recognised income and expenses for the year	–	–	–	–	29,484	–	48,324	–	(30,745)	–	47,063	8,890	55,953
Share issue expenses	–	(104)	–	–	–	–	–	–	–	–	(104)	–	(104)
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	30,295	–	–	30,295	–	30,295
Recognition of convertible loan notes equity reserve	–	–	–	–	–	–	–	–	–	82,356	82,356	–	82,356
Exercise of share options	16,033	21,348	–	–	–	–	–	(6,955)	–	–	30,426	–	30,426
Share repurchased	(10,373)	(19,296)	–	–	–	–	–	–	–	–	(29,669)	–	(29,669)
Arising from acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(2,179)	(2,179)
Deferred tax of convertible loan notes equity reserve	–	–	–	–	–	–	–	–	–	(13,589)	(13,589)	–	(13,589)
Distribution in specie to a minority shareholder (note 23)	–	–	–	–	–	–	–	–	–	–	–	(66,830)	(66,830)
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(152)	(152)
At 31 December 2008	477,607	609,908	2,084	360	48,689	53,690	48,324	30,443	(327,667)	68,767	1,012,205	17,281	1,029,486

Notes:

(a) Other reserves represent the aggregate amounts of surplus reserve fund and enterprise reserve fund.

Certain subsidiaries operating in the People's Republic of China (the "PRC") are required to transfer 5% of the profit after tax (as determined under the management of the relevant subsidiaries and in accordance with PRC Generally Accepted Accounting Principles) to the surplus reserve fund until the fund balance reaches 50% of the registered capital of those subsidiaries. The reserve fund can be used to offset accumulated losses expand the existing operations or convert into additional capital of the subsidiaries.

These subsidiaries are also required to transfer 5% of the profit after tax (as determined under the management of the relevant subsidiaries and in accordance with PRC Generally Accepted Accounting Principles) to the enterprise development fund. The fund can only be used for development of the enterprise and is not available for distribution to shareholders.

(b) By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium of the Company was reduced by an amount of HK$270,000,000. This amount was used to reduce the Company's accumulated losses of HK$216,310,000 and the balance of HK$53,690,000 was credited to the Company's capital reserve which is non-distributable.

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(24,650)**	90,589
Adjustments for:		
Amortisation of intangible assets	**5,376**	295
Decrease in fair value of investment held for trading investments	**20,432**	–
Depreciation of property, plant and equipment	**68,193**	68,045
Expense on issues of convertible bond	**90**	–
Gain on deemed disposal of a subsidiary	**(1,308)**	–
Gain on disposal of available-for-sale investments	**(15,051)**	–
Gain on partial disposal of a subsidiary	**–**	(125,942)
Gain on deemed partial disposal of an associate	**–**	(64,246)
Gain on disposal of an associate	**–**	(183)
Reversal of impairment loss recognised on club debentures	**–**	(185)
Impairment loss recognised on inventories	**742**	7,639
Impairment loss recognised on trade receivables	**13,704**	5,162
Impairment loss recognised on amounts due from customers for contract work	**6,589**	2,801
Impairment loss recognised in respect of property, plant and equipment	**4,245**	–
Decrease (increase) in fair value of investment properties	**635**	(1,542)
Interest income	**(1,953)**	(420)
Interest on loan from a related company	**689**	6,387
Interest on bank borrowings and finance leases	**21,562**	14,085
Interest on convertible loan notes	**24,623**	–
Loss (gain) on disposal of property, plant and equipment	**162**	(96)
Release of prepaid lease payments to consolidated income statement	**393**	393
Share-based payment expense	**30,295**	11,194
Share of results of associates	**(7,100)**	(15,552)
Share of results of jointly controlled entities	**27,325**	(4,804)
Written off of inventories	**12,444**	–
Operating cash flows before movements in working capital	**187,437**	(6,380)
Increase in inventories	**(31,008)**	(26,603)
(Increase) decrease in trade and bills receivables	**(196,418)**	4,888
Decrease (increase) in prepayments, deposits and other receivables	**54,763**	(84,984)
Increase in amounts due from customers for contract work	**(15,393)**	(5,472)
Increase in amount due from an associate	**(766)**	–
Increase in trade and bills payables	**5,034**	46,339
Increase in investment held for trading	**(34,651)**	–
Increase (decrease) in other payables, deposits received and accruals	**4,526**	(672)
(Decrease) increase in amounts due to customers for contract work	**(16,028)**	17,636
(Decrease) increase in amount due to a jointly controlled entity	**(1,950)**	2,655

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash used in operations		**(44,454)**	(52,593)
Interest paid		**(30,416)**	(20,472)
PRC Income Tax paid		**(2,944)**	(5,450)
Hong Kong Profits Tax paid		**(1,468)**	(954)
NET CASH USED IN OPERATING ACTIVITIES		**(79,282)**	(79,469)
INVESTING ACTIVITIES			
Decrease (increase) in time deposits		**80,000**	(80,000)
Decrease (increase) in pledged bank deposits		**19,923**	(15,187)
Dividend received from an associate		**682**	–
Purchases of property, plant and equipment		**(52,545)**	(23,393)
Purchase of intangible assets		**(121,894)**	–
Net cash outflow on deemed disposal of a subsidiary	44	**(10)**	–
Proceeds from partial disposal of a subsidiary		**–**	181,806
Proceeds from disposal of an associate		**–**	755
Proceeds from disposal of available-for-sale investments		**57,969**	–
Interest received		**1,953**	420
Purchase of available for sale investment		**(1,285)**	–
Proceeds from disposal of property, plant and equipment		**363**	132
Acquisition of subsidiaries	43(a)	**–**	54
Acquisition of additional interest in a subsidiary		**(14,701)**	–
Increase in deposit paid		**(105,903)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(135,448)**	64,587
FINANCING ACTIVITIES			
Repayment to a related company		**–**	(434,757)
Repayment of bank loans		**(158,984)**	(119,659)
Repayment of obligations under finance leases		**(12,404)**	(24,545)
Dividend paid to minority interests		**–**	(5,600)
Payment on repurchase of shares		**(29,669)**	–
Share issue expenses		**(104)**	(356)
New bank loans raised		**107,350**	294,764
Loan from a related company		**20,038**	291,274
(Decrease) increase in trust receipt loans		**(26,882)**	21,389
Exercise of share options		**30,426**	16,099
Proceeds from issue of convertible notes		**385,000**	–
Expense on issue of convertible notes		**(90)**	–
NET CASH FROM FINANCING ACTIVITIES		**314,681**	38,609
NET INCREASE IN CASH AND CASH EQUIVALENTS		**99,951**	23,727
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**55,190**	30,931
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**838**	532
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**155,979**	55,190

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a private company incorporated in Hong Kong is the controlling shareholder of the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 22, 23 and 24, respectively.

In June 2008, the Company has changed its functional currency from Hong Kong dollars ("HK$") to Renminbi ("RMB") as the Group had substantially reduced its activity in traditional business with manufacturing factories located in the PRC for Hong Kong market and customers, and photomask business in Hong Kong, but increased 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.

As a result of the change in functional currency, the Company translated all items into RMB using the prevailing exchange rate at the date of change and the resulting translated amounts for non-monetary items are treated as their historical cost.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company have applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group and the Company have not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendment)	Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfer on or after 1 July 2009
7 Effective for annual periods ending on or after 30 June 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The application of HKAS 23 (Revised) Borrowing Costs which is effective for period beginning on or after 1 January 2009 eliminates the option to expense all borrowing costs when incurred.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The application of HK(IFRIC) – Int 17 Distribution of Non-cash Assets to Owners which effective for period beginning on or after 1 July 2009 stated that the Group shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. HKAS 23 (Revised) and HK(IFRIC) Int 17 will be applied on prospective basis.

The directors of the Company are in the process of assessing the impact of the new and revised standards, amendments and interpretations on the results and the financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The 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 explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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 the 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests of subsidiaries that do not result in change in control do not fall within the definition of business combination under HKFRS 3 Business Combinations. The excess of the cost of acquisition over the carrying amount of assets and liabilities of the subsidiary attributable to the additional interest acquired is recognised as goodwill.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which an investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The Company shall discontinue the use of equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with HKAS 39 from that date, provided the associate does not become a subsidiary or joint venture as defined in HKAS 31.

The carrying amount of the investment at date of that it ceases to be an associate shall be regarded as its cost on initial measurement as a financial asset (see accounting policy on available-for-sale financial assets below).

Distribution in specie

The amount recognised as distribution in respect of a distribution in specie is measured at the carrying value of interest in an associate distributed at the date of the distribution.

Joint ventures

Jointly controlled operations

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures (continued)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Rental income is recognised on a straight line basis over the relevant lease terms.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

DTV business

Revenue generated from DTV business comprise the followings:

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

Installation contracts

Revenue generated from installation contracts comprise the followings:

Where the outcome of a contract for the installation of network systems can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received included in other payables, deposits received and accruals. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and bills receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any differences between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of lease terms or 2%
Machinery, moulds and tools	4% – 20%
Equipment, furniture and fixtures	15% – 20%
Motor vehicles	25% to $33^1/_3$%
Leasehold improvements	Over the shorter of lease terms or 4%

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to the consolidated income statement on a straight line basis over the lease terms. Prepaid lease payments which are to be charged to the consolidated income statement in the next twelve months or less are classified as current assets.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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.

Club debenture

Club debentures are stated at cost, less any identified impairment losses.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

For the purpose of presenting the Company financial statements, the assets and liabilities of the Company are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses items are charged in the consolidated income statement and are reported separately as 'other income'.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes consolidated income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, investments in associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value except for certain available-for-sale investment, which is measured at the carrying amount at the time the Group ceased to have significant influence. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised directly in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent held for trading investments.

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.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, advances to subsidiaries, amounts due from subsidiaries, amount due from an associate, amounts due from customers for contract work, amount due from a jointly controlled entity, pledged bank deposits, time deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Effective interest method (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 30 to 360 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's and the Company's financial liabilities are generally classified into convertible loan notes and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payable, other payables, amounts due to subsidiaries, amount due to a jointly controlled entity, loan from a related company, bank borrowings and obligations under finance leases subsequently measured at amortised cost, using the effective interest method.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Effective interest method (continued)

Convertible loan notes (continued)

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.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Shares redeemed or purchased, which issued by Company, are immediately cancelled. The cancellation has the effect of reducing the amount of the Company's issued share capital by the nominal value of the shares redeemed or purchased. The cancellation does not reduce the authorised share capital of the Company.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of to the Company's own equity instruments.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity settled share-based payment transactions

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed immediately to profit or loss with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions (continued)

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets. A corresponding adjustment has been made to equity (share option reserve).

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowings costs

All borrowings costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Contingent liabilities are not recognised in the consolidated financial statements when the Group has a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliably.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Income taxes

As at 31 December 2008, a deferred tax asset of approximately HK$11,223,000 (2007: HK$19,214,000) and HK$4,313,000 (2007: HK$2,995,000) in relation to unused tax losses and other deductible temporary differences respectively has been recognised in the consolidated financial statements (note 46) while deferred tax asset of approximately HK$143,558,000 (2007: HK$129,630,000) in relation to unused tax losses has not been recognised. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more or less than expected, a recognition or reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a recognition or reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes loan from a related company, bank borrowings, convertible loan notes and obligations under finance leases disclosed in notes 37, 38, 39 and 40, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008	2007
	HK$'000	HK$'000
THE GROUP		
Financial assets		
FVTPL – Held for trading investments	**14,219**	–
Loans and receivables (including cash and cash equivalents)	**782,964**	633,055
Available-for-sale financial assets	**132,195**	14,514
Financial liabilities		
Amortised cost	**892,440**	604,765
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,442,230**	1,134,850
Financial liabilities		
Amortised cost	**781,565**	510,499

6b. Financial risk management objectives and polices

The Group's and the Company's major financial instruments include available-for-sale investments, held for trading investments, trade and bills receivables, other receivables, advances to subsidiaries, amounts due from subsidiaries, amounts due from customers for contract work, amount due from an associate, amount due from a jointly controlled entity, pledged bank deposits, time deposits, bank balances and cash, trade and bills payables, other payables, amounts due to subsidiaries, amount due to a jointly controlled entity, loan from a related company, bank borrowings, convertible loan notes and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain bank balances, trade receivables, trade payables, bank borrowings and convertible loan notes of the Group are denominated in foreign currency, which expose the Group to foreign currency risk. The Company's foreign currency risk exposure is mainly derived from bank balances, amounts due from (to) subsidiaries, bank borrowings and convertible loan notes. The management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Euro	**–**	–	**1,218**	1,649
Japanese Yen	**–**	–	**1,029**	1,725
RMB	**193,564**	36,700	**53,309**	36,767
United States dollar ("USD")	**31,183**	63,569	**31,255**	29,256
HK$	**2,630**	–	**510,788**	–
THE COMPANY				
Japanese Yen	**–**	–	**–**	1,725
USD	**188**	73	**12,164**	10,181
HK$	**1,441,980**	–	**764,416**	–

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in RMB against the relevant foreign currencies. 10% (2007: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2007: 5%) change in foreign currencies rates. A positive number below indicates a decrease in loss after tax (2007: increase in profit after tax) for the year where the RMB strengthen 10% (2007: the HK$ strengthen of 5%) against the relevant currencies. For a 10% (2007: 5% weakening of HK$) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss after tax (2007: profit after tax) for the year.

	RMB		Euro		Japanese Yen		USD		HK$(iii)
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**
THE GROUP									
Increase/decrease in loss after tax (2007: (decrease)/increase in profit after tax) (i)	**(11,711)**	(3)	**102**	68	**86**	71	**6**	–	**42,431**
THE COMPANY									
Decrease (increase) in loss after tax (2007: decrease in loss after tax) (ii)	**–**	–	**–**	–	**–**	71	**999**	–	**(56,577)**

(i) This is mainly attributable to the exposure outstanding on foreign currency trade receivables, trade payables, bank borrowings and convertible loan notes at year end.

(ii) This is mainly attributable to the exposure outstanding on foreign currency bank borrowings and convertible loan notes at year end.

(iii) During the year, the Company changed its functional currency from HK$ to RMB as stated in Note 1. As such, the Company is exposed to foreign currency risk due to the fluctuation in exchange rate between RMB and HK$ in relation to its HK$ denominated monetary items. During the year ended 31 December 2007, the Group was also exposed to fluctuation in HK$ in relation to HK$ denominated intragroup accounts held by group entities with RMB as functional currency, but the currency exposure was not significant.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

(iv) For the year ended 31 December 2007, functional currency of the group entities holding USD denominated assets and liabilities is HKD. As HK$ is pegged to US$ under the Linked Exchange Rate System, the currency exposure is considered as minimal.

The management adjusted the sensitivity rate from 5% to 10% for assessing currency risk after considering the impact of volatile financial market condition after the third quarter of 2008.

In management's opinion, the sensitivity is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

HK$ denominated convertible loan notes were issued in the second quarter of the financial year, which results in an increase in HK$ liabilities at year end.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan from a related company, fixed-rate bank borrowings and fixed-rate convertible loan notes and obligation under finance lease (see notes 37, 38, 39 and 40 for details of these borrowings).

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings (see notes 35 and 38 for details of bank balances and borrowings).

It is the Group's and the Company's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group and the Company cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate and one-year benchmark interest rate of Chinese Central Bank arising from the bank borrowings.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank balances and variable-rate bank borrowings at the balance sheet date. The analysis is prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole year. For variable-rate bank balances, the analysis is prepared assuming the amount of asset at the balance sheet date was maintained for the whole year. A 100 basis points (2007: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank borrowings. A 50 basis points (2007: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank balances.

If interest rates on bank borrowings had been 100 basis points (2007: 50 basis points) higher/lower and interest rates on bank balance had been 50 basis points (2007: 50 basis points) higher / lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2008 would increase/decrease by approximately HK$1,215,000 (2007: profit after tax for the year would decrease/increase by approximately HK$346,000) and the Company's loss after tax for the year would increase/decrease by approximately HK$1,506,000 (2007: loss after tax for the year would increase/decrease of approximately HK$1,020,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate bank borrowings and variable-rate bank balances.

The management adjusted the sensitivity rate from 50 basis points to 100 basis points for assessing interest rate risk on variable–rate bank borrowings after considering the impact of volatile financial market condition after the third quarter of 2008.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in natural resources industry sector and manufacturing industry sector quoted in the Stock Exchange of Hong Kong Limited or Shenzhen Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

For the year ended 31 December 2008, the sensitivity analyses below have been determined based on the exposure to equity price risks on listed equity investments at the reporting date. For the years ended 31 December 2008 and 2007, sensitivity analyses has not been presented for unlisted equity investments which are measured at cost less impairment as their fair values cannot be measured reliably. For sensitivity analysis purpose, the sensitivity rate of 10% (2007: 5%) is applied in the current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% higher/lower:

- post-tax loss for the year ended 31 December 2008 would increase/decrease by HK$1,422,000 (2007: increase/decrease by HK$Nil) as a result of the changes in fair value of held for trading investments; and

- investment revaluation reserve would increase/decrease by HK$11,622,000, (2007: increase/decrease by HK$Nil) for the Group as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to price risk has increased during the current year mainly due to the increase of available-for-sale investments and held for trading investments in current year.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Credit risk

As at 31 December 2008, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge obligations by the counter parties and financial guarantees provided by the Group and the Company arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in related to the financial guarantee issued by the Group and the Company as disclosed in note 50.

In order to minimise the credit risk, management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk in 2008 in relation to the trade and bill receivables as approximately 50% of the total trade and bill receivables as at 31 December 2008 was due from the Group's largest customer related to the DTV technical solutions and equipment business. The Group will monitor the level of exposures to ensure that follow up actions and/or corrective are taken promptly to lower the risk exposure or to recover the over due balances. Other than the above, the Group has no other significant concentration of credit risks, with exposure spread over a large number of counterparties and customers.

The Group has no significant concentration of credit risk on trade and bills receivables and amounts due from customers for contract work for the year ended 31 December 2007 as the credit risk exposure was spread over a number of counterparties and customers.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Credit risk (continued)

The Company has no concentration of credit risk, with exposure spread over a large number of counter-parties for the year ended 31 December 2008 and 31 December 2007.

No material credit risk exposure on the financial guarantee granted by the Group and the Company is noted because the jointly controlled entity, the third parties and the subsidiary disclosed in note 50 have strong financial positions and the risk of default payment is low.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
2008							
Trade and bills payables	–	180,006	19,228	–	–	199,234	199,234
Other payables	–	48,486	–	–	–	48,486	48,486
Loan from a related company	5.00	20,252	–	–	–	20,252	20,038
Bank borrowings							
– fixed rate	7.76	10,791	32,373	–	–	43,164	40,115
– variable rate	7.46	65,900	197,700	1,017	976	265,593	247,103
Obligations under finance leases	5.61	1,866	5,599	6,978	5,815	20,258	17,808
Convertible loan notes	11.64	–	11,550	11,550	388,386	411,486	319,656
		327,301	266,450	19,545	395,177	1,008,473	892,440

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007							
Trade and bills payables	–	116,655	70,413	–	–	187,068	187,068
Other payables	–	17,462	–	–	–	17,462	17,462
Amount due to a jointly controlled entity	–	10,126	–	–	–	10,126	10,126
Bank borrowings							
– fixed rate	5.87	27,675	65,565	–	–	93,240	88,404
– variable rate	6.18	25,397	90,483	170,951	1,988	288,819	271,493
Obligations under finance leases	6.27	5,013	9,457	7,427	12,793	34,690	30,212
		202,328	235,918	178,378	14,781	631,405	604,765

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY							
2008							
Other payables	–	11,746	–	–	–	11,746	11,746
Amounts due to subsidiaries	–	246,867	–	–	–	246,867	246,867
Loan from a related party	5.00	21,040	–	–	–	21,040	20,038
Bank borrowings – variable rate	4.75	47,518	142,692	1,017	976	192,203	183,258
Convertible loan notes	11.14	–	11,550	11,550	388,386	411,486	319,656
		327,171	154,242	12,567	389,362	883,342	781,565

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007							
Other payables	–	11,957	–	–	–	11,957	11,957
Amounts due to subsidiaries	–	230,258	–	–	–	230,258	230,258
Bank borrowings – variable rate	6.17	21,647	78,670	170,951	1,988	273,256	268,284
		263,862	78,670	170,951	1,988	515,471	510,499

At 31 December 2008 and 2007, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the carrying amount of financial guarantee contract which is assessed as insignificant at year end date has not been presented above.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6c. Fair value

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions as input; and

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid price.

Except for obligations under finance leases and convertible loan notes, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided by the Group to outside customers, less discounts and sales related taxes, as well as revenue arising from DTV business, installation contracts, services rendered and rental income for the year, and is analysed as follows:

	2008 **HK$'000**	2007 HK$'000
Sales of goods	**294,438**	397,905
Revenue from DTV business		
– Sales of DTV equipments	**309,441**	–
– Provision of DTV technical services	**70,400**	–
Revenue from installation contracts	**266,706**	270,276
Rendering of services	**970**	8,485
Property rental income	**1,067**	2,153
	943,022	678,819

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

During the year, the Group substantially reduced its activities in traditional business with manufacturing factories located in the PRC for Hon Kong market and customers, and photomask business in Hong Kong, but increase its activity in DTV in the PRC. As a result, a new business segment of DTV technical solutions and equipments was engaged by the Group during the year.

For management purposes, the Group is currently organised into seven (2007: six) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

DTV technical solutions and equipment business – Manufacture and sales of DTV equipments and provision of DTV technical services.

Traditional business – Manufacture and distribution of telephone accessories, power cords and adaptors.

Printed circuit boards – Manufacture and distribution of printed circuit boards.

High precision metal components – Manufacture and distribution of high precision metal components.

Photomask business – Manufacture of photomasks.

Intelligent information business – Development and provision of system integration solutions, system design and sale of system hardware.

Others – Provision of management services and leasing of investment properties.

Inter-segment sales are charged at prevailing market prices.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

Segment information about these businesses is presented below:

For the year ended 31 December 2008

	DTV technical solutions and equipment business[*] HK$'000	Traditional business[#] HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Photomask business HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
REVENUE									
External sales	379,841	209,489	860	46,962	37,987	266,706	1,177	–	943,022
Inter-segment sales	–	–	–	–	–	–	441	(441)	–
Total	379,841	209,489	860	46,962	37,987	266,706	1,618	(441)	943,022
RESULT									
Segment results	171,354	(34,322)	(2,196)	1,507	(69,089)	24,176	(21,342)	–	70,088
Unallocated corporate expenses									(30,295)
Unallocated corporate income									6,729
Decrease in fair value of held for trading investments									(20,432)
Gain on disposal of available-for-sale investments									15,051
Gain on deemed disposal of a subsidiary						1,308			1,308
Share of results of associates			7,592			(492)			7,100
Share of results of jointly controlled entities							(27,325)		(27,325)
Finance costs									(46,874)
Loss before tax									(24,650)
Income tax expense									(961)
Loss for the year									(25,611)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

For the year ended 31 December 2008 (continued)

	DTV 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
BALANCE SHEET									
Segment assets	553,938	155,907	13,947	19,343	110,866	649,089	34,288		1,537,378
Investments in associates						6,122			6,122
Investments in jointly controlled entities							151,742		151,742
Unallocated corporate assets									325,428
Consolidated total assets									2,020,670
Segment liabilities	72,500	41,366	13,882	9,997	21,136	163,513	24,765		347,159
Unallocated corporate liabilities									644,025
Consolidated total liabilities									991,184
OTHER INFORMATION									
Capital expenditure by the Group	168,652	890	–	102	2,507	1,806	482	–	174,439
Depreciation of property, plant and equipment	611	7,898	2,500	1,660	51,249	1,865	2,410	–	68,193
Amortisation of intangible assets	5,080	–	–	–	–	296	–	–	5,376
Loss (gain) on disposal of property, plant and equipment	–	2	–	–	–	347	(187)	–	162
Impairment loss recognised on trade receivables	–	9,749	–	800	439	2,716	–	–	13,704
Impairment loss recognised on amounts due from customers for contract work	–	–	–	–	–	6,589	–	–	6,589
Impairment loss recognised on inventories	–	16	–	–	726	–	–	–	742
Impairment loss recognised in respect of property, plant and equipment	–	4,245	–	–	–	–	–	–	4,245
Written off of inventories	–	12,444	–	–	–	–	–	–	12,444
Fair value changes on investment properties	–	–	–	–	–	–	635	–	635
Release of prepaid lease payment	–	393	–	–	–	–	–	–	393
Share-based payment expenses	–	–	–	–	–	–	30,295	–	30,295

* DTV technical solutions and equipment business is a new business engaged by the Group during the year.

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

For the year ended 31 December 2007

	Traditional business HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Photomask business HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
REVENUE								
External sales	279,289	1,980	61,529	46,461	280,410	9,150	–	678,819
Inter-segment sales	623	–	4	–	–	9,235	(9,862)	–
Total	279,912	1,980	61,533	46,461	280,410	18,385	(9,862)	678,819
RESULT								
Segment results	(5,557)	(2,137)	(554)	(64,214)	16,770	(25,285)	–	(80,977)
Unallocated corporate expenses								(24,608)
Unallocated corporate income								5,919
Gain on partial disposal of a subsidiary		125,942						125,942
Gain on deemed partial disposal of an associate		64,246						64,246
Gain on disposal of an associate					183			183
Share of results of associates		15,585			(33)			15,552
Share of results of jointly controlled entities					(1,972)	6,776		4,804
Finance costs								(20,472)
Profit before tax								90,589
Income tax expense								(3,498)
Profit for the year								87,091

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

For the year ended 31 December 2007 (continued)

	Traditional business HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Photomask business HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
BALANCE SHEET								
Segment assets	146,604	16,736	32,315	166,687	619,988	162,803		1,145,133
Investments in associates		149,379			2,590			151,969
Investments in jointly controlled entities					470	185,222		185,692
Unallocated corporate assets								189,343
Consolidated total assets								1,672,137
Segment liabilities	94,254	4,703	19,444	18,948	186,463	7,703		331,515
Unallocated corporate liabilities								397,643
Consolidated total liabilities								729,158
OTHER INFORMATION								
Capital expenditure by the Group	2,063	–	246	38,939	5,460	2,137	–	48,845
Capital expenditure through acquisition of a subsidiary	–	–	–	–	84,698	555	–	85,253
Depreciation of property, plant and equipment	7,218	2,970	2,022	49,419	2,015	4,401	–	68,045
Amortisation of intangible assets	–	–	–	–	295	–	–	295
Gain on disposal of property, plant and equipment	–	–	(3)	–	(93)	–	–	(96)
Impairment loss recognised on trade receivables	4,078	–	–	464	620	–	–	5,162
Impairment loss recognised (reversed) on inventories	8,987	(2,178)	–	930	(363)	263	–	7,639
Fair value changes on investment properties	–	–	–	–	–	(1,542)	–	(1,542)
Release of prepaid lease payment	393	–	–	–	–	–	–	393
Share-based payment expenses	–	–	–	–	–	11,194	–	11,194

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(b) Geographical segments

The Group's operations are located in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of goods/services:

	2008	2007
	HK$'000	HK$'000
The PRC	**713,155**	305,405
Hong Kong	**173,986**	243,723
Europe	**19,410**	68,437
Australia	**–**	1,874
Others	**36,471**	59,380
	943,022	678,819

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment and intangible assets**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**1,361,341**	766,752	**161,449**	93,777
Hong Kong	**176,037**	378,381	**12,990**	40,321
	1,537,378	1,145,133	**174,439**	134,098

9a. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest on bank deposits	**1,953**	420
Proceeds from sale of scrap	**1,195**	1,924
Government grants (note 1)	**–**	1,204
Recovery from insurance claim (note 2)	**10,800**	1,357
Others	**6,026**	4,870
	19,974	9,775

Note (1): For the year ended 31 December 2007, government grants of approximately HK$1,204,000 had been received as a reward for innovative software development of the entity, which was recognised when the entity was entitled to the reward. There were no unfulfilled conditions or contingencies relating to the government grants. No government grants were received for the year ended 31 December 2008.

Note (2): Amounts represented recovery from insurance claim arising from a flooding happened in the Group's factory in Dongguan, the PRC which caused significant damage to machineries of the Group during the year.

9b. OTHER EXPENSES

	2008 HK$'000	2007 HK$'000
Impairment loss recognised on trade receivables	**13,704**	5,162
Impairment loss recognised on amounts due from customers for contract work	**6,589**	2,801
Impairment loss recognised in respect of property plant and equipment	**4,245**	–
Net foreign exchange losses	**321**	6,802
Research and development costs	**4,907**	824
	29,766	15,589

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**19,532**	12,573
Convertible loan notes	**24,623**	–
Finance leases	**2,030**	1,512
Loan from a related company	**689**	6,387
	46,874	20,472

11. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Current tax:		
Hong Kong	**2,411**	1,037
Other regions in the PRC	**1,303**	4,805
	3,714	5,842
Overprovision in prior years:		
Hong Kong	**(1,114)**	(1,491)
	2,600	4,351
Deferred tax (note 46)		
Current year	**(1,897)**	(853)
Attributable to a change in tax rate	**258**	–
	(1,639)	(853)
	961	3,498

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

11. INCOME TAX EXPENSE (CONTINUED)

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, with effect from 1 January 2008, the statutory rate of the Group's subsidiaries in the PRC shall be 25% (2007: 33%), whilst some of the subsidiaries would be entitled to reduced tax rate or grandfather the previous tax holiday as appropriate until its expiry.

A major operating subsidiary in the PRC is qualified as High and New Technology Enterprises for year 2008 and could be entitled to a preferential income tax rate of 15% (2007: 16.5%) for 3 consecutive years from 2008 onwards.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rate should progress from 15% to 18%, 20%, 22%, 24% and 25% for the financial years 31 December 2008, 2009, 2010, 2011 and 2012 respectively.

The tax expense for the year can be reconciled to the (loss) profit before tax as follows:

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before tax	**(24,650)**	90,589
Tax at Hong Kong Profits Tax rate of 25% (2007: 17.5%) (Note 1)	**(6,163)**	15,853
Tax effect of expenses not deductible for tax purposes	**18,216**	1,959
Tax effect of income not taxable for tax purposes	**(9,582)**	(36,998)
Tax effect of share of results of associates	**(1,775)**	(2,722)
Tax effect of share of results of jointly controlled entities	**6,831**	(841)
Utilisation of tax losses not recognised in previous years	**(2,699)**	(786)
Tax effect of tax losses not recognised	**22,475**	27,087
Effect of different tax rates of subsidiaries	**19,511**	1,437
Overprovision in prior years	**(1,114)**	(1,491)
Income tax on concessionary rate	**(1,705)**	–
Others	**(3,446)**	–
Effect of tax exemptions granted to a PRC subsidiary	**(39,846)**	–
Increase in opening deferred tax resulting from a decrease in applicable tax rate	**258**	–
Tax expense for the year	**961**	3,498

11. INCOME TAX EXPENSE (CONTINUED)

Note 1: The Group had substantially reduced its activity in traditional business with manufacturing factories located in the PRC for Hong Kong market and customers, and photomask business in Hong Kong, but increased 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. Hence, domestic tax rate of 25% (2007: 17.5%) is used for reconciliation purposes.

12. (LOSS) PROFIT FOR THE YEAR

	2008 **HK$'000**	2007 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note 13):		
– Salaries, wages and other benefits	**94,489**	110,210
– Retirement benefit scheme contributions	**3,850**	3,458
Total staff costs	**98,339**	113,668
Amortisation of intangible assets (included in cost of sales)	**5,376**	295
Auditor's remuneration	**3,191**	2,670
Cost of inventories recognised as expenses	**632,405**	614,787
Depreciation of property, plant and equipment	**68,193**	68,045
Loss (gain) on disposal of property, plant and equipment (included in administrative expenses)	**162**	(96)
Impairment loss reversed on club debentures (included in administrative expenses)	**–**	(185)
Allowances for inventories (included in cost of sales)	**742**	7,639
Written off of inventories (included in cost of sales)	**12,444**	–
Release of prepaid lease payments to consolidated income statement	**393**	393
Share of tax of associates (included in share of results of associates)	**1,335**	2,223
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**–**	51

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 11 (2007: 12) directors are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (Note 1)	Share-based payments HK$'000 (Note 2)	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2008						
Cao Zhong	–	2,345	782	3,592	117	6,836
Chau Chit	–	2,345	782	1,910	117	5,154
Chen Jianyong	684	–	–	955	8	1,647
Tzu San Te	–	1,210	95	955	12	2,272
Chen Jang Fung	147	–	–	344	–	491
Leung Kai Cheung	234	–	–	344	–	578
Leung Shun Sang, Tony	186	–	–	2,866	–	3,052
Chan Wah Tip, Michael	195	–	–	344	–	539
Kan Lai Kuen, Alice	234	–	–	344	–	578
Wong Kun Kim	234	–	–	344	–	578
Lee Fook Sun	147	–	–	344	–	491
	2,061	5,900	1,659	12,342	254	22,216
2007						
Cao Zhong	–	–	750	1,696	–	2,446
Chau Chit	–	1,800	750	1,696	12	4,258
Chen Jianyong	–	1,200	200	1,131	12	2,543
Tzu San Te	–	1,209	195	1,320	12	2,736
Tse Chun Sing	50	856	–	1,131	75	2,112
Chen Jang Fung	120	–	–	188	–	308
Leung Kai Cheung	150	–	–	188	–	338
Leung Shun Sang, Tony	120	–	–	1,885	–	2,005
Chan Wah Tip, Michael	150	–	–	188	–	338
Kan Lai Kuen, Alice	150	–	–	188	–	338
Wong Kun Kim	150	–	–	188	–	338
Lee Fook Sun	10	–	–	–	–	10
	900	5,065	1,895	9,799	111	17,770

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (continued)

Notes:

1. Performance related incentive payment is determined based on the individual performance of the Directors.

2. Share-based payments represent fair value at grant date of share options expensed immediately to the consolidated income statement during the year. The share options are issued under the Company's share option scheme as detailed in note 42.

In the year ended 31 December 2007, one director waived emoluments of HK$1,800,000. No directors waived any emoluments for the years ended 31 December 2008.

(b) Employees' Emoluments

The five highest paid individuals in the Group in 2008 and 2007 were all directors of the Company and details of their emoluments are set out above.

14. DIVIDEND

No dividend was paid or proposed in respect of the year 2008 (2007: Nil).

15. (LOSS) EARNINGS PER SHARE

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

	2008	2007
	HK$'000	HK$'000
(Loss) Earnings		
(Loss) Earnings for the purposes of basic and diluted earnings per share ((Loss) profit for the year attributable to equity holders of the Company)	**(30,745)**	78,759

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,919,378**	1,765,735
Effect of dilutive potential ordinary shares:		
– share options		60,786
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share		1,826,521

No diluted loss per share has been calculated for the year ended 31 December 2008 as (i) the conversion of the Company's outstanding convertible loan notes could result in a decrease in the loss per share and (ii) the share option granted by the Company is anti-dilutive, as the exercise price of these share options is higher than the average market price of the Company's shares.

16. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2007	9,550
Increase in fair value recognised in the consolidated income statement	1,542
At 31 December 2007 and 1 January 2008	11,092
Reclassified from property, plant and equipment to investment properties (note 17)	51
Decrease in fair value recognised in the consolidated income statement	(635)
At 31 December 2008	10,508

The fair value of the Group's investment properties at 31 December 2008 and 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. Messrs. AA Property Services Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

All of the Group's investment properties located in Hong Kong have been pledged to secure the banking facilities granted to the Group.

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
The investment properties shown above are situated in:		
Land in Hong Kong under long-term lease	**6,840**	7,560
Land in PRC under long-term lease	**3,668**	3,532
	10,508	11,092

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2007	74,761	2,100	704,115	106,429	9,642	61,367	958,414
Additions	397	57	38,912	2,464	5,252	1,763	48,845
Transfer	–	(194)	194	–	–	–	–
Acquired on acquisition of subsidiaries (note 43(a))	–	–	–	555	–	–	555
Write-off/disposals	–	–	(145)	–	(489)	–	(634)
Exchange realignment	166	–	–	350	354	115	985
At 31 December 2007 and 1 January 2008	75,324	1,963	743,076	109,798	14,759	63,245	1,008,165
Additions	34,080	2,149	2,309	5,232	2,027	6,748	52,545
Reclassified to investment properties	(133)	–	–	–	–	–	(133)
Write-off/disposals	–	–	(26,742)	(3,477)	(2,579)	–	(32,798)
Deemed disposal of a subsidiary (note 44)	–	–	–	(860)	(658)	–	(1,518)
Exchange realignment	193	–	–	468	631	196	1,488
At 31 December 2008	109,464	4,112	718,643	111,161	14,180	70,189	1,027,749
DEPRECIATION AND IMPAIRMENT							
At 1 January 2007	30,575	–	536,671	87,153	7,026	31,895	693,320
Provided for the year	2,410	–	55,334	5,537	1,669	3,095	68,045
Eliminated on write-off/ disposals	–	–	(145)	–	(453)	–	(598)
Exchange realignment	27	–	–	216	218	247	708
At 31 December 2007 and 1 January 2008	33,012	–	591,860	92,906	8,460	35,237	761,475
Provided for the year	3,474	–	54,485	5,130	1,840	3,264	68,193
Eliminated on reclassification to investment properties	(82)	–	–	–	–	–	(82)
Eliminated on write-off/ disposals	–	–	(26,740)	(3,130)	(2,403)	–	(32,273)
Impairment loss recognised	–	–	4,245	–	–	–	4,245
Eliminated on deemed disposal of a subsidiary (note 44)	–	–	–	(486)	(375)	–	(861)
Exchange realignment	41	–	–	322	296	69	728
At 31 December 2008	36,445	–	623,850	94,742	7,818	38,570	801,425
CARRYING VALUES							
At 31 December 2008	73,019	4,112	94,793	16,419	6,362	31,619	226,324
At 31 December 2007	42,312	1,963	151,216	16,892	6,299	28,008	246,690

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, certain leasehold land and buildings of the Group were rented out to earn rental income and were, accordingly, reclassified to investment properties.

Included in the leasehold land and buildings is a lease payment of approximately HK$2,337,000 (2007: HK$2,325,000) that cannot be allocated reliably between the land portion and building portion.

The carrying value of machinery, moulds and tools, includes an amount of approximately HK$23,098,000 (2007: HK$57,902,000) in respect of machinery held under finance leases.

During the year, the management conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to technical obsolescence. Accordingly, full impairment loss of HK$4,245,000 (2007: HK$ Nil) has been recognised in respect of machinery, moulds and tools used in one of the Group's plant in traditional business segment.

	Leasehold buildings HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
THE COMPANY						
COST						
At 1 January 2007	25,695	43,700	19,400	29	21,861	110,685
Additions	–	–	5	–	6	11
Disposals	(2,315)	–	–	–	(2,749)	(5,064)
At 31 December 2007, 1 January 2008 and 31 December 2008	23,380	43,700	19,405	29	19,118	105,632
DEPRECIATION						
At 1 January 2007	15,915	43,700	18,313	29	14,780	92,737
Provided for the year	950	–	321	–	601	1,872
Eliminated on disposals	(293)	–	–	–	(916)	(1,209)
At 31 December 2007 and 1 January 2008	16,572	43,700	18,634	29	14,465	93,400
Provided for the year	935	–	321	–	555	1,811
At 31 December 2008	17,507	43,700	18,955	29	15,020	95,211
CARRYING VALUES						
At 31 December 2008	5,873	–	450	–	4,098	10,421
At 31 December 2007	6,808	–	771	–	4,653	12,232

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
The carrying value of leasehold land and buildings are located on:				
Land in Hong Kong under:				
Long-term leses	**1,852**	1,945	**–**	–
Medium-term leases	**1,484**	1,526	**–**	–
Land in the PRC under:				
Long-term leases	**34,483**	513	**–**	–
Medium-term leases	**35,200**	38,328	**5,873**	6,808
	73,019	42,312	**5,873**	6,808

18. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
The prepaid lease payments comprise:				
Long-term leasehold land in Hong Kong	**5,489**	5,765	**–**	–
Medium-term leasehold land in Hong Kong	**989**	1,018	**–**	–
Long-term leasehold land in the PRC	**212**	233	**–**	–
Medium-term leasehold land in the PRC	**2,696**	2,763	**–**	–
	9,386	9,779	**–**	–
Analysed for reporting purposes as:				
Current asset	**393**	393	**–**	–
Non-current asset	**8,993**	9,386	**–**	–
	9,386	9,779	**–**	–

19. GOODWILL AND IMPAIRMENT TESTING

	2008
	HK$'000
COST AND CARRYING AMOUNT	
At 1 January 2007	**138,144**
Arising from acquisition of additional interests of subsidiaries (note 43(b))	**84,698**
At 31 December 2007 and 1 January 2008	**222,842**
Arising from acquisition of additional interest in a subsidiary (note b)	**12,522**
At 31 December 2008	**235,364**

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out above has been allocated to two individual cash generating units (CGUs), including one subsidiary in intelligent information business segment and one subsidiary in digital television technical solutions and equipment business segment. The carrying amounts of goodwill as at 31 December 2008 and 2007 allocated to these units are as follows:

	2008	2007
	HK$'000	HK$'000
Intelligent information business segment		
– Sino Stride Technology Holdings Limited ("SST") (note a)	**222,842**	222,842
DTV technical solutions and equipment business segment		
– 廣州市易家通互通信息發展有限公司 ("易家通") (note b)	**12,522**	–
	235,364	222,842

19. GOODWILL AND IMPAIRMENT TESTING (CONTINUED)

Notes:

(a) Management has appointed an independent valuer to perform a business valuation on SST. Management of the Group has determined that there are no impairments on the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the CGU to which the goodwill has been allocated) as calculated in the valuation report is in excess of the aggregate carrying amounts 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. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the management of the Group covering a six-year period, and a discount rate of 14.0% (2007: 14.0%). Cash flows beyond the 6-year period are extrapolated using a 3% (2007: 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 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.

(b) The goodwill arising on acquisition of additional interests of a subsidiary is calculated as the difference between the consideration for the additional interests and the carrying amount of assets and liabilities of the subsidiary. The recoverable amount of CGU of 易家通 has been determined on the basis of value in use calculation. Its recoverable amount is based on certain similar key assumptions. All value in use calculation uses cash flow projections based on financial budges approved by the Management covering a 6-year period, and a discount rate of 12%. Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of additional interest of易家通 as the recoverable amount of易家通 (being the CGU to which the goodwill has been allocated) is in excess of the aggregate carrying amounts of易家通 based on the cash flow projections.

During the year ended 31 December 2008 and 31 December 2007, the management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

20. INTANGIBLE ASSETS

	Development costs HK$'000	Project contracts HK$'000	Contract acquisition costs HK$'000	Total HK$'000
THE GROUP				
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
Addition	–	–	121,894	121,894
Exchange realignment	288	–	–	288
At 31 December 2008	4,632	1,473	121,894	127,999
AMORTISATION AND IMPAIRMENT				
At 1 January 2007	2,100	221	–	2,321
Charge for the year	–	295	–	295
Exchange Realignment	126	–	–	126
At 31 December 2007 and 1 January 2008	2,226	516	–	2,742
Charge for the year	–	296	5,080	5,376
Exchange realignment	147	–	–	147
At 31 December 2008	2,373	812	5,080	8,265
CARRYING VALUES				
At 31 December 2008	2,259	661	116,814	119,734
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

20. INTANGIBLE ASSETS (CONTINUED)

Development costs represents costs incurred for the design and development of intelligent information systems for the intelligent business segment. The amortisation for development costs will commence when the systems are available for use. During the years ended 31 December 2008 and 2007, the directors consider that no impairment loss on development costs is required.

Project contracts represented the contract based intangible assets relating to system installation and integration project contracts.

Contract acquisition costs represent the payments to DTV operator in Guangdong Province in connection with the jointly controlled operations as mentioned in note 25 during the year and are amortised over the terms of contract of 20 years.

21. DEPOSIT PAID FOR ACQUISITION OF INTANGIBLE ASSETS

The amount represents deposit paid to DTV operator in Guangdong Province for further development of the jointly controlled operations of the DTV business. The Group is negotiating with DTV operator for the terms and conditions in respect of the further development of the jointly controlled operations of the DTV business.

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**26,748**	26,756
Capital contributions	**40,542**	33,950
Less: impairment loss recognised	**(977)**	(977)
	66,313	59,729
Advances to subsidiaries	**164,793**	163,223

Capital contributions represent imputed interest on interest-free advances to subsidiaries.

The advances to subsidiaries are unsecured, non-interest bearing and denominated in HK$. In the opinion of the Directors, the Company will not demand repayment within one year from the balance sheet date and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the effective interest method at the rate of 4% (2007: 5%) per annum.

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (CONTINUED)

Details of the Company's principal subsidiaries at 31 December 2008 and 2007 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2008	2007	
				%	%	
Aberdeen Industrial Company Limited 阿勃玎實業有限公司	Samoa	The PRC	1 ordinary share of US$1	**100***	100*	Manufacture of telephone accessories, power cords and adaptors
Aberdeen Investments Limited 阿勃玎投資有限公司	Samoa	Hong Kong	1 ordinary share of US$1	**100***	100*	Property investment
Chongqing Sinostride Technology Co., Ltd. @ ("Chongqing Sinostride") 重慶中程科技有限公司	The PRC	The PRC	Registered capital ## RMB200,000,000	**99.3***	99.3*	Provision of DTV technical solutions and equipment
Dongguan Dongjiang Wire and Cable Company Limited @ 東莞東江電線電纜有限公司	The PRC	The PRC	Registered capital HK$7,800,000	**60***	60	Manufacture of telephone cables and wires
Dongguan Santai Electrical Appliances Co., Ltd. ^ 東莞三泰電器有限公司	The PRC	The PRC	Registered capital HK$64,000,000	**100***	100*	Manufacture and sale of electronic products
Dorup Limited 霖高有限公司	Hong Kong	Hong Kong	2,000,000 ordinary shares of HK$1 each	**60***	60*	Marketing of telephone cords and power cords
Hitech Electro-Optical Limited 華太光電有限公司	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100***	100*	Property investment

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2008 %	2007 %	Principal activities
Hitech Property Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100***	100*	Property investment
Hop Cheong Holdings Limited	Cook Islands	Hong Kong	3,500 ordinary shares of US$1 each	**100**	100	Investment holding
Hop Cheong Technology Limited 合昌科技有限公司	Hong Kong	The PRC	1,000,000 ordinary shares of HK$1 each	**100***	100*	Provision of management services
Hop Cheong Technology (International) Limited 合昌科技（國際）有限公司	Hong Kong	The PRC	2 ordinary shares of HK$1 each	**100***	100*	Marketing of high precision metal parts
Jetsbo Investment Limited 捷士寶投資有限公司	Hong Kong	Hong Kong	10,000 ordinary shares of HK$1 each	**100***	100*	Property investment
Made Connection Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Printronics China Limited 普林中國有限公司	Hong Kong	Hong Kong	2 ordinary shares of HK$10 each	**100***	100*	Investment holding
Printronics Electronics Limited 普林電子有限公司	Hong Kong	Hong Kong	5 ordinary shares of HK$1 each	**60***	60*	Investment holding
Printronics Group Limited 普林集團有限公司	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Investment holding

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2008 %	2007 %	Principal activities
Remarkable Mask Technology Company Limited 卓越光掩模科技有限公司	Cayman Islands	Hong Kong	45,000,000 ordinary share of US$1 each	**100***	100*	Manufacture of photomask
Santai Corporate Services Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Provision of management services
Santai Manufacturing Limited 三泰實業有限公司	Hong Kong	The PRC	10,000 ordinary shares of HK$1 each	**100**	100	Investment holding
SCT Electronics Limited SCT 電子有限公司	Hong Kong	The PRC	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Sino Stride Technology (Holdings) Limited 中程科技集團有限公司	BVI	Hong Kong	1,082,170,000 ordinary shares of HK$0.01 each	**99.7***	99.7*	Investment holding
Sino Stride Technology Co., Ltd @ 中程科技有限公司	The PRC	The PRC	Registered capital RMB83,000,000	**97.2***	97.2*	System value-added service solution and development
廣州市易家通互動信息發展有限公司 #	The PRC	The PRC	Registered capital RMB15,050,000	**100***	80*	Investment holding
深圳市泰格信息科技開發有限公司 #	The PRC	The PRC	Registered capital RMB5,000,000	**100***	100*	Investment holding and sales of DTV equipment

* Indirectly held through subsidiaries
@ Registered under the laws of the PRC as a Sino-foreign co-operative joint venture
^ Registered under the laws of the PRC as a wholly- foreign owned enterprise
# Registered under the laws of the PRC in the form of domestic incorporated entity
As at 31 December 2008, the paid up registered capital is RMB99,851,417. Pursuant to the articles of association of Chongqing Sinostride, the registered capital shall be paid in full no later than two years after the grant of the business license. The business license of Chongqing Sinostride was granted on 15 April 2008.

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

23. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Cost of investments in associates:		
Listed in Shenzhen Stock Exchange (note 1)	**–**	18,957
Unlisted	**5,590**	2,359
Share of post-acquisition profits and reserves, net of dividends received	**532**	130,653
	6,122	151,969
Fair value of listed investment	**–**	705,600

23. INVESTMENTS IN ASSOCIATES (CONTINUED)

At 31 December 2008 and 2007, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2008	2007	Principal activities
Hangzhou Sino Stride Megain Optic-Electronic Technology Company Limited ("HSC") 杭州中程萬京光電科技有限公司	Corporate	The PRC	**47.15% (note 2)**	–	System design, and sale of system hardware and light emitted diode products
Hangzhou Sino Stride Hospital Xingda System Technology Co., Ltd. ("HSSH") 杭州中程興達醫療設備有限公司	Corporate	The PRC	**– (note 2)**	28.29%	Sale of medical equipment
Shenzhen Fasten Sino Stride Technology Limited 深圳市法爾勝中程科技有限公司	Corporate	The PRC	**38.88%**	38.88%	Sale of hardware and equipment related to system integration and system design
Tianjin Printronics Circuit Corporation ("TPC") 天津普林電路股份有限公司	Sino-foreign equity joint venture	The PRC	**– (note 1)**	21.01%	Manufacture of printed circuit boards

23. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes:

(1) On 23 April 2007, TPC issued 50 million new shares at a price of RMB8.28 (equivalent to HK$8.28) each by way of an initial public offering on a fully underwritten basis. It was listed in Shenzhen Stock Exchange during the year. A gain on dilution of interest of approximately HK$64,246,000 was resulted from the change of equity interest held by the Group from approximately 28.17% to 21.01% during the year ended 31 December 2007.

On 11 July 2007, the Group through a wholly-owned subsidiary, entered into a share transfer agreement (the "Agreement") with an independent third party (the "Purchaser") to sell 40% shares of Printronics Electronics Limited ("PEL"), a company which held approximately 21.01% equity interest in TPC, to the Purchaser at consideration of approximately HK$181,806,000 and the Group recorded a gain of approximately HK$125,942,000. Upon the completion of the Agreement on 18 July 2007, the Group has an effective interest of approximately 12.6% in TPC. As PEL is a subsidiary of the Group and it is able to exercise significant influence over TPC because of its 21.01% equity interest in TPC, TPC was still regarded as an associate of the Group as at 31 December 2007.

On 30 September 2008, the Board of directors of PEL, declared a special interim dividend of HK$167,075,000 which is based on the carrying amount of TPC in PEL's books and was satisfied by way of a distribution in specie of TPC shares held by PEL.

Total dividend of HK$100,245,000, representing an aggregate of 30,989,778 shares of TPC were distributed to Printronic Group Limited, which beneficially owns 60% equity interest in PEL and dividend of HK$66,830,000, representing an aggregate of 20,659,852 of shares of TPC were distributed to a minority shareholder, which holds 40% equity interest in PEL. The distribution in specie is recognised at the carrying amount of interest in TPC at the date of distribution.

Upon the completion of the distribution in specie of shares of TPC, the Group is unable to exercise significant influence over TPC and in the anticipation of the Executive Committee, the investment in TPC will be disposed of within one year. Accordingly, the investment in TPC, with a carrying value of HK$100,245,000 was reclassified to available-for-sale investments and included in current assets.

(2) On 27 June 2008, the Group's interest in HSC, a partially owned subsidiary of the Group, was diluted from 94.29% to 47.15% as a result of the capital injection of RMB 5,000,000 (approximately HK$ 5,650,000) by a third party as disclosed in note 44. As the Group is still able to exercise significant influence over HSC, HSC is accounted for as associate of the Group upon completion of capital injection.

As HSC holds 30% equity interest in HSSH, the Group's equity interest in HSSH was reduced from 28.29% to 14.14% at 31 December 2008. As the Group is unable to exercise significant influence over HSSH, HSSH ceased to be an associate of the Group upon completion of capital injection.

23. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2008	2007
	HK$'000	HK$'000
Total assets	**15,425**	877,603
Total liabilities	**(1,328)**	(131,239)
Net assets	**14,097**	746,364
Group's share of net assets of associates	**6,122**	151,969
Revenue	**268,952**	432,614
Profit for the year	**34,884**	65,558
Group's share of result of associates for the year	**7,100**	15,552

24 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2008 and 2007, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2008	2007	Issued and fully paid share capital/ registered capital	Principal activities
Hoperise Industrial Limited 興揚實業有限公司	Incorporated	Hong Kong	**50%**	50%	HK$20,010,000	Copper wire drawing
深圳天際信和科技有限公司 Sky Light Communication (Shenzhen) Limited	Sino-foreign equity joint venture	The PRC	**75% (note)**	75% (note)	RMB20,000,000	Development and integration of the space information technical and multimedia software
深圳天地導航科技有限公司 Sky Land Navigator Technology (Shenzhen) Limited	Sino-foreign equity joint venture	The PRC	**75% (note)**	75% (note)	RMB20,000,000	Development and integration for software and hardware for the intelligent traffic field

Note: According to the joint venture agreements, the Group is in a position to exercise joint control over the above entities through participation in their Boards of Directors. The Board of Directors of the entities comprises 6 directors of which 3 were appointed by the Group. Two-third of the Board of Directors are required to pass major board resolutions. Accordingly, these entities have been accounted for as jointly controlled entities.

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Unlisted investments in jointly controlled entities, at cost less impairment	**42,928**	42,928
Share of post-acquisition profits and reserves, net of dividends received	**108,814**	142,764
	151,742	185,692

24 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The summarised financial information in respect of the Group's interests in jointly controlled entity is set out below:

	2008 **HK$'000**	2007 HK$'000
Current assets	**179,187**	333,464
Non-current assets	**44,069**	47,305
Current liabilities	**(71,495)**	(195,058)
Non-current liabilities	**(19)**	(19)
Income	**517,406**	771,720
Expenses	**544,731**	766,916

25. JOINTLY CONTROLLED OPERATIONS

In addition to the jointly controlled entities listed above, 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 during the year.

Pursuant to the cooperation agreement, the Group is responsible for the provision of technical services, including technical solutions and equipment and is entitled to share 80% of the service income as predetermined in the cooperation agreement.

25. JOINTLY CONTROLLED OPERATIONS (CONTINUED)

At 31 December 2008, the aggregate amount of assets, liabilities, revenue and profit recognised in the Group's consolidated financial statements are as follows:

	2008 HK$'000
Assets	**222,716**
Liabilities	**–**
Revenue	**70,400**
Profit after tax	**49,867**

26. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2008 HK$'000	2007 HK$'000
Listed investments:		
– Equity securities listed in PRC	**116,221**	–
Unlisted equity investments	**15,974**	14,514
Total	**132,195**	14,514
Analysed for reporting purposes as:		
Current assets	**116,221**	–
Non-current assets	**15,974**	14,514
	132,195	14,514

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. Their main principal activities are (i) provision of software development and (ii) provision of digital cable television services in the Guangdong province. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

26. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Details of movement of listed investments are as follows:

	HK$'000
Transfer from investments in associates as at 30 September 2008	100,245
Fair value changes as at 18 December 2008	99,010
Disposal on 18 December 2008 (note)	(57,969)
Fair value changes as at 31 December 2008 (note)	(25,065)
	116,221

Note:

On 18 December 2008, the Group disposed 10,000,000 shares of TPC at a consideration HK$57,969,000. The gain on disposal of HK$15,051,000, being the release of investment revaluation reserve of HK$25,621,000 and net off of transaction costs of HK$10,570,000 directly attributable to the disposal of shares, is recognised in the consolidated income statement during the year.

27. CLUB DEBENTURES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost	**960**	960	**780**	780
Impairment loss recognised	**(330)**	(330)	**(260)**	(260)
	630	630	**520**	520

Club debentures are tested for impairment annually and whenever there is an indication that it may be impaired. No impairment loss was recognised (2007: An impairment loss of approximately of HK$185,000 was reversed) at year end by reference to the market values for second hand market prices of similar club debentures.

28. INVENTORIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Raw materials	**35,836**	23,804
Work in progress	**6,203**	9,430
Finished goods	**108,514**	94,365
	150,553	127,599

29. TRADE AND BILLS RECEIVABLES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Trade and bills receivables	**436,292**	238,462
Less: allowance for doubtful debts	**(67,312)**	(56,260)
	368,980	182,202

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable in the range of 30 to 360 days of issuance, except for certain well established customers, where the terms are extended to over one year. Each customer has a designated credit limit.

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

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**286,245**	136,933
91 – 180 days	**59,587**	22,545
181 – 365 days	**16,988**	15,555
1 – 2 years	**3,758**	7,165
Over 2 years	**2,402**	4
	368,980	182,202

29. TRADE AND BILLS RECEIVABLES (CONTINUED)

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines a credit rating and limit for each customer. In addition, the Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of Directors, trade and bill receivables that are not past due nor impaired made were of good credit quality at the balance sheet date with reference to past settlement history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$59,065,000 (2007: HK$49,328,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	HK$'000
0 – 90 days	**1,915**	5,032
91 – 180 days	**42,451**	21,572
181 – 365 days	**8,539**	15,555
1 – 2 years	**3,758**	7,165
Over 2 years	**2,402**	4
Total	**59,065**	49,328

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**56,260**	51,098
Impairment losses recognised on receivables	**13,704**	5,162
Amount written off as uncollectible	**(2,652)**	–
Balance at end of the year	**67,312**	56,260

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$67,312,000 (2007: HK$56,260,000), of which the Group has chased for settlements from customers but the amounts remained unsettled. In the opinion of directors, the amounts are considered uncollectible. The Group does not hold any collateral over these balances.

29. TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group's trade and bills receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2008	2007
	HK$'000	HK$'000
Renminbi	**15,004**	26,771
United States dollar	**20,706**	62,219

30. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	2008	2007
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**14,219**	–

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

	2008	2007
	HK$'000	HK$'000
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profits less recognised losses	**1,180,114**	1,018,406
Less: progress billings	**(1,016,140)**	(887,884)
	163,974	130,522
Analysed for reporting purposes of:		
Amounts due from contract customers	**188,518**	168,581
Amounts due to contract customers	**(24,544)**	(38,059)
	163,974	130,522

At 31 December 2008, retentions held by customers for contract works amounted to approximately HK$53,350,000 (2007: HK$46,514,000) which was included in amounts due from customers for contract work. Advances received from customers for contract work amounted to approximately HK$5,303,000 (2007: HK$13,252,000) which was included in other payables, deposits received and accruals.

32. AMOUNT DUE FROM AN ASSOCIATE/AMOUNT DUE FROM (TO) A JOINTLY CONTROLLED ENTITY

The amount due from an associate/amount due from a jointly controlled entity is unsecured, non-interest bearing and repayable on demand.

The amount due to a jointly controlled entity is unsecured, non interest-bearing and repayable on demand.

33. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

For the amounts due from (to) subsidiaries, the amounts are unsecured, non-interest bearing, repayable on demand and are denominated in HK$.

34. PLEDGED BANK DEPOSITS

THE GROUP

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. The deposits have been pledged to secure short-term bank loans and are therefore classified as current assets.

The pledged bank deposits carry interest at market rates ranging from 1.35% to 1.71% (2007: 1.71% to 2.99%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

35. TIME DEPOSITS AND BANK BALANCES

THE GROUP AND THE COMPANY

For the year ended 31 December 2007, time deposits with original maturity of two weeks carry interest at market rates at 2.75% per annum.

Bank balances carry interest at prevailing bank saving deposits rates ranging from 0.36% to 1.77% (2007: 0.75% to 2.3%) per annum.

The Group's and the Company's bank balances that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2008	2007
	HK$'000	HK$'000
THE GROUP		
HK$	**7,135**	–
RMB	**62,292**	9,929
USD	**10,476**	1,350
THE COMPANY		
HK$	**4,743**	–
USD	**188**	73

36. TRADE AND BILLS PAYABLES

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

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**87,906**	106,848
91 – 180 days	**92,100**	56,590
181 – 365 days	**9,343**	10,935
1 – 2 years	**5,199**	9,807
Over 2 years	**4,686**	2,888
	199,234	187,068

36. TRADE AND BILLS PAYABLES (CONTINUED)

The average credit period for purchase of goods ranged from 90 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

The Group's trade and bills payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2008	2007
	HK$'000	HK$'000
Euro	**1,218**	1,649
Renminbi	**7,270**	36,767
United States dollar	**19,722**	18,759
HK$	**19,427**	–
JPY	**1,028**	–

37. LOAN FROM A RELATED COMPANY

THE GROUP AND THE COMPANY

The amount represents loan from Shougang (Hong Kong) Finance Company Limited, a subsidiary of Shougang Holding. The loan is unsecured, bearing interest at 5% per annum and fully repaid in March 2009.

38. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank loans	**2,673**	24,026	**2,673**	23,692
Unsecured bank loans	**263,960**	288,404	**160,000**	200,000
Secured trust receipt loans	**20,585**	47,467	**20,585**	44,592
	287,218	359,897	**183,258**	268,284
Carrying amount repayable:				
Within one year	**285,415**	197,214	**181,455**	105,601
More than one year, but not exceeding two years	**891**	160,865	**891**	160,865
More than two years, but not exceeding three years	**912**	894	**912**	894
More than three year, but not exceeding four years	**–**	924	**–**	924
	287,218	359,897	**183,258**	268,284
Less: Amounts due within one year shown under current liabilities	**(285,415)**	(197,214)	**(181,455)**	(105,601)
	1,803	162,683	**1,803**	162,683

THE GROUP

Bank borrowings include approximately HK$40,115,000 (2007: HK$88,404,000) fixed-rate borrowings and the remaining bank borrowings are variable-rate borrowings which include approximately HK$183,258,000 carry interest at approximately Hong Kong Interbank Offer Rate plus 2% per annum and the remaining variable-rate borrowings of approximately HK$63,845,000 at approximately one-year benchmark interest rate of Chinese Central Bank with 10% mark up.

38. BANK BORROWINGS (CONTINUED)

The ranges of effective interest rate (which are also equal to contracted interest rates) on the Group's borrowings are:

	2008	2007
Fixed-rate borrowings	**6.08% to 8.22%**	6.08 to 8.02%
Variable-rate borrowings	**2.25% to 8.22%**	3.61 to 8.75%

THE COMPANY

All bank borrowings are variable-rate borrowings which carry interest at approximately Hong Kong Interbank Offer Rate plus 2% per annum and range of effective interest rate (which are also equal to contracted interest rates) on the Company's borrowings are 2.25% to 7.25% (2007: 3.61% to 8.75%) per annum.

The Group's and the Company's borrowings that are denominated in currencies other the functional currency of the respective group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
THE GROUP		
Japanese Yen	**–**	1,725
United States dollar	**12,164**	10,497
Hong Kong dollar	**171,095**	–
THE COMPANY		
Japanese Yen	**–**	1,725
United States dollar	**12,164**	10,181
Hong Kong dollar	**171,095**	–

During the year, the Group obtained new loans in the amount of HK$107,350,000 (2007: HK$294,764,000). The loans bear interest at market rates and will be repayable in 2009.

38. BANK BORROWINGS (CONTINUED)

The bank borrowings and banking facilities are secured by:

(i) certain of the investment properties, prepaid lease payments, and buildings of the Group, which had an aggregate carrying value at the balance sheet date of approximately HK$6,840,000 (2007: HK$7,560,000), HK$989,000 (2007: HK$1,018,000) and HK$1,484,000 (2007: HK$1,526,000) respectively;

(ii) certain of the machinery of the Group which had an aggregate carrying value at the balance sheet date of approximately HK$49,372,000 in 2007 and nil amount in current year;

(iii) the carrying amount of account receivable of the Group pledged as security for banking facilities amounted to approximately HK$334,000 in 2007 and nil amount in current year;

(iv) the pledge of certain of the Group's bank deposits amounting to approximately HK$18,075,000 (2007: HK$35,982,000);

39. CONVERTIBLE LOAN NOTES

THE GROUP AND THE COMPANY

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 payable semi-annually and redeemable 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 day's 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. Since the issue date and up to the date of this annual report, no Convertible Notes was converted into shares of the Company.

39. CONVERTIBLE LOAN NOTES (CONTINUED)

THE GROUP AND THE COMPANY (continued)

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 11.64%. The fair value of convertible loan notes on initial recognition is determined with reference to a valuation report carried out by independent and recognised international business valuers.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2008
	HK$'000
Issued during the year	302,644
Exchange differences	554
Interest charge (note 10)	24,623
Interest paid	(8,165)
Carrying amount at the end of the year	319,656

40. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its machineries under finance leases. The average lease terms is three years. For the year ended 31 December 2008, the average effective borrowing rate ranged from 2.98% to 8.25% (2007: 2.98% to 9.15%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	**7,465**	14,470	**6,072**	12,442
In more than one year but not more than two years	**6,978**	7,427	**6,158**	6,034
In more than two years but not more than three years	**5,815**	6,978	**5,578**	6,158
In more than three years but not more than four years	**–**	5,815	**–**	5,578
	20,258	34,690	**17,808**	30,212
Less: Future finance charges	**(2,450)**	(4,478)	**N/A**	N/A
Present value of lease obligations	**17,808**	30,212	**17,808**	30,212
Less: Amount due for settlement within one year shown under current liabilities			**(6,072)**	(12,442)
			11,736	17,770

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

41. SHARE CAPITAL

	2008		2007	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.25 each				
Authorised:				
At beginning and end of year	**4,000,000,000**	**1,000,000**	4,000,000,000	1,000,000
Issued and fully paid:				
At beginning of year	**1,887,786,989**	**471,947**	1,715,469,509	428,867
Exercise of share options	**64,132,190**	**16,033**	38,794,000	9,699
Issued as consideration for the acquisition of a subsidiary	**–**	**–**	133,523,480	33,381
Repurchase of shares	**(41,492,000)**	**(10,373)**	–	–
At end of year	**1,910,427,179**	**477,607**	1,887,786,989	471,947

During the year, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	**No. of ordinary shares at HK$0.25 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid (expenses included)**
	'000	HK$	HK$	HK$'000
August 2008	28,452	0.800	0.696	22,391
September 2008	11,948	0.610	0.435	6,790
October 2008	1,092	0.485	0.400	488

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

42. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme of the Company

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. Under the 2002 Scheme, the Board of Directors (the "Board") of the Company may, subject to and in accordance with the provisions of the 2002 Scheme and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), grant share options to any eligible participant to subscribe for shares in the capital of the Company.

The maximum number of shares issued and to be issued upon exercise of options granted to each eligible participant under the 2002 Scheme (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company in issue, as at the date of grant.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years after it has been granted.

On acceptance of an offer, HK$1 should be payable by the grantee. The exercise price per share in relation to an option shall be a price to be determined by the Board and shall be no less than the highest of (a) the official closing price of the shares of the Company as stated in the daily quotation sheet issued by the Stock Exchange on the date on which the option is offered to an eligible participant; (b) the official average closing prices of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer of option to an eligible participant; and (c) the nominal value of shares of the Company on the date of offer of option to an eligible participant.

Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Comany Limited

In addition to the 2002 Scheme, 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.

The purpose of the Remarkable Scheme is to enable Remarkable to grant share options to selected participants as incentives or rewards for their contribution to Remarkable or its subsidiaries. The Remarkable Scheme will remain in force for a period of 10 years commencing on 8 June 2004, being the date on which the Remarkable Scheme was approved by the shareholders of the Company, to 7 June 2014.

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

Under the Remarkable Scheme, the directors of Remarkable may, at their absolute discretion, offer directors or proposed directors (including executive, non-executive or independent non-executive directors), employees or proposed employees (whether full-time or part-time), suppliers and customers of Remarkable or any of its subsidiaries or any of its associated companies, persons or entities that provide consultancy, advices, research, development or other technological support to Remarkable or any of its subsidiaries or any of its associated companies, partners or business associates and shareholders of Remarkable or any of its subsidiaries or any of its associated companies or holders of any securities issued by Remarkable or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of Remarkable, provided always that such determination shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.

No share option was granted in accordance with the terms of the Remarkable Scheme since its adoption.

The total number of shares of Remarkable available for issue upon exercise of all share options which may be granted under the Remarkable Scheme is 3,300,000, representing approximately 7.33% of the issued share capital of Remarkable as at the date of this annual report. The total number of shares of Remarkable issued and to be issued upon the exercise of share options granted under the Remarkable Scheme (including both exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of Remarkable as at the date of grant. Any further grant of share options in excess of this limit is subject to the approval of shareholders of the Company in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of Remarkable in issue and the value of which is in excess of HK$5,000,000 (based on the date of grant), within any 12-month period, are subject to the approval of shareholders of the Company in advance in a general meeting.

The period during which a share option may be exercised will be determined by the directors of Remarkable at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Remarkable Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of Remarkable are empowered to impose at their discretion any such minimum period at the time of grant of any share options, provided always that such conditions shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

The exercise price in relation to each share option will be determined by the directors of Remarkable at their discretion and shall not be less than the nominal value of the shares of Remarkable and shall be subject to the approval of the directors of the Company or any committee duly constituted thereof. The exercise price in respect of each share option granted after the Company has contemplated a separate listing of Remarkable on the main board or the Growth Enterprise Market ("GEM") of the Stock Exchange or an overseas stock exchange and up to the listing date of Remarkable must be not lower than the new issue price (if any) of the shares of Remarkable. In the event that Remarkable is separately listed on the main board or the GEM of the Stock Exchange or an overseas stock exchange, the Remarkable Scheme will continue to have effect pursuant to the terms thereof and the exercise price of each share option in respect of an offer made after such listing shall be at least the higher of (i) the closing price of shares of Remarkable as stated in the stock exchange's daily quotations on the date of offer of share options; (ii) the average closing price of shares of Remarkable as stated in the stock exchange's daily quotations for the five business days immediately preceding the date of offer of share options (and for the purpose of calculating the exercise price where Remarkable has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing); and (iii) the nominal value of the shares of Remarkable.

Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Remarkable Scheme. The offer of a grant of share options must be accepted within 28 days from the date of the offer.

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following tables disclose details and movements in share options under the 2002 Scheme during the years ended 31 December 2008 and 2007:

For the year ended 31 December 2008:

				Number of shares under options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 31.12.2007 and 1.1.2008	Granted during the year	Transferred to/from other category during the year	Exercised during the year	At 31.12.2008
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	13,242,000	–	–	–	13,242,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	64,900,000	–	(5,292,000)[1]	(47,606,190)	12,001,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	–	64,600,000	(5,000,000)[1]	–	59,600,000
				81,342,000	64,600,000	(10,292,000)	(47,606,190)	88,043,810
Employees of the Group	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	2,000	–	–	–	2,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	–	–	4,000,000[2]	–	4,000,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	500,000	–	5,292,000[1]	(500,000)	5,292,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	–	94,000,000	5,000,000[1]	–	99,000,000
				502,000	94,000,000	14,292,000	(500,000)	108,294,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	40,130,000	–	–	(8,026,000)	32,104,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	15,982,000	–	(4,000,000)[2]	–	11,982,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	–	16,000,000	–	(8,000,000)	8,000,000
				70,181,000	16,000,000	(4,000,000)	(16,026,000)	66,155,000
				152,025,000	174,600,000	–	(64,132,190)	262,492,810
Exercisable at the end of the year				152,025,000				262,492,810
Weighted average exercise price per share				HK$0.561				HK$0.728

No share options was lapsed during the year ended 31 December 2008.

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

[1] The share options were held by a grantee who ceased to be a director of the Company during the year but remained as an employee of the Group and such share options were reclassified from the category of "Directors of the Company" to "Employees of the Group" during the year.

[2] The share options were held by a grantee who became an employee of the Group during the year and such share options were reclassified from the category of "Other participants" to "Employees of the Group" during the year.

For the year ended 31 December 2007

				Number of shares under options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2006, 31.12.2006 and 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2007
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	14,242,000	–	(1,000,000)	–	13,242,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	–	89,192,000	(24,292,000)	–	64,900,000
				17,442,000	89,192,000	(25,292,000)	–	81,342,000
Employees of the Group	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	2,922,000	–	(1,002,000)	(1,918,000)	2,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	2,000	–	–	(2,000)	–
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	–	12,500,000	(11,000,000)	(1,000,000)	500,000
				2,924,000	12,500,000	(12,002,000)	(2,920,000)	502,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	40,130,000	–	–	–	40,130,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	15,982,000	–	–	–	15,982,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	–	1,500,000	(1,500,000)	–	–
				70,181,000	1,500,000	(1,500,000)	–	70,181,000
				90,547,000	103,192,000	(38,794,000)	(2,920,000)	152,025,000
Exercisable at the end of the year				90,547,000				152,025,000

All share options are vested at the date of grant.

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

In respect of share options exercised during the year ended 31 December 2008, the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$0.850 per share.

During the year ended 31 December 2008, share options were granted on 22 January 2008 and vested immediately. The estimated fair value of the options determined at the date of grant using the Binomial model was HK$30,295,000.

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.

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
Expected volatility	64.9%
Dividend yield	0%
Risk-free interest rate	2.778%
Expected life	10 years
Sub-optimal factor:	
– Directors and other participants	2
– Employees	1.5

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.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years. The sub-optimal factor is based on the directors' best estimate.

The Group recognised the total expense of HK$30,295,000 (2007: HK$11,194,000) for the year ended 31 December 2008 in respect of share options granted by the Company.

43. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 易家通

On 4 April 2007, the Group acquired 80% of the issued share capital of 易家通 for cash consideration of RMB12,040,000. 易家通 has not commenced operations in 2007, but it will focus on DTV business in future years upon commencement of operations. The acquisition was accounted for as acquisition of assets and related liabilities.

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	555
Available-for-sale investments	7,511
Inventories	215
Other receivables	10,583
Bank balances and cash	12,094
Other payables	(16,480)
	14,478
Minority interests	(2,438)
Total consideration, satisfied by cash	12,040
Net cash inflow arising on acquisition:	
Cash consideration paid	(12,040)
Bank balances and cash acquired	12,094
	54

(b) Acquisition of SST through business acquisition

On 23 October 2007, the Company further acquired 304,260,000 shares of SST representing approximately 28.12% of the issued share capital of SST through share exchange of 133,523,480 shares of the Company. The fair value of the ordinary shares of the Company issued as the consideration for the acquisition of the additional interests of SST, determined using the published price available at the date of acquisition, amounted to approximately HK$129,518,000. At 31 December 2007, the Group effectively owned 99.72% shareholding interest in SST.

44. DEEMED DISPOSAL OF A SUBSIDIARY

As referred to in note 23, following the capital injection, HSC became an associate of the Group. The net assets of HSC at the date of deemed disposal were as follows:

	27 June 2008
	HK$'000
Property, plant and equipment	657
Trade receivables	27
Other receivables	1,777
Amount due from an associate	719
Bank balances and cash	10
Trade payables	(278)
Other payables	(234)
Net assets disposed of	2,678
Minority interests	(152)
Translation reserve realised	(42)
	2,484
Transferred to interests in associates	(3,792)
Deemed gain on disposal	(1,308)
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(10)

45. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (Note)	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Translation reserve HK$'000	Total HK$'000
THE COMPANY								
At 1 January 2007	501,788	2,084	53,690	–	(422,108)	–	–	135,454
Loss and recognised expense for the year	–	–	–	–	(23,944)	–	–	(23,944)
Recognition of equity-settled share based payments	–	–	–	11,194	–	–	–	11,194
Exercise of share options	10,391	–	–	(3,991)	–	–	–	6,400
Share options lapsed	–	–	–	(100)	100	–	–	–
Shares issued at premium for acquisition of subsidiaries	96,137	–	–	–	–	–	–	96,137
Share issue expenses	(356)	–	–	–	–	–	–	(356)
At 31 December 2007 and 1 January 2008	607,960	2,084	53,690	7,103	(445,952)	–	–	224,885
Loss and recognised expense for the year	–	–	–	–	(70,894)	–	–	(70,894)
Recognition of equity-settled share based payments	–	–	–	30,295	–	–	–	30,295
Recognitions of convertible loan notes equity reserve	–	–	–	–	–	82,356	–	82,356
Deferred tax of convertible loan notes equity reserve	–	–	–	–	–	(13,589)	–	(13,589)
Exercise of share options	21,348	–	–	(6,955)	–	–	–	14,393
Share issue expenses	(104)	–	–	–	–	–	–	(104)
Exchange difference arising on translation of presentation currency	–	–	–	–	–	–	1,586	1,586
Repurchase of shares	(19,303)	–	–	–	–	–	–	(19,303)
At 31 December 2008	609,901	2,084	53,690	30,443	(516,846)	68,767	1,586	249,625

45. RESERVES (CONTINUED)

Note: By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium of the Company was reduced by an amount of HK$270,000,000. This amount was used to reduce the then Company's accumulated losses of HK$216,310,000 and the balance of HK$53,690,000 was credited to the Company's capital reserve which is non-distributable. At the balance sheet date, the Company did not have any reserve available for distribution (2007: Nil).

46. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Impairment loss on intangible asset HK$'000	Impairment loss on inventories HK$'000	Impairment loss on trade receivables HK$'000	Impairment loss on amounts due from customers for contract work HK$'000	Convertible loan notes HK$'000	Total HK$'000
THE GROUP								
At 1 January 2007	26,148	(25,998)	–	(403)	(40)	(1,704)	–	(1,997)
(Credit) charge to income for the year	(6,789)	6,784	–	(24)	(361)	(463)	–	(853)
At 31 December 2007 and 1 January 2008	19,359	(19,214)	–	(427)	(401)	(2,167)	–	(2,850)
Effect of change in tax rate	(1,112)	1,098	–	39	36	197	–	258
Charge to equity for the year	–	–	–	–	–	–	13,589	13,589
(Credit) charge to income for the year	(6,764)	6,893	356	(122)	(452)	(1,016)	(792)	(1,897)
At 31 December 2008	11,483	(11,223)	356	(510)	(817)	(2,986)	12,797	9,100

46. DEFERRED TAXATION (CONTINUED)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**4,313**	3,010
Deferred tax liabilities	**(13,413)**	(160)
	(9,100)	2,850

	Convertible loan notes
	HK$'000
THE COMPANY	
At 1 January 2007, 31 December 2007 and 1 January 2008	–
Charge to equity for the year	13,589
Credit to income for the year	(792)
At 31 December 2008	12,797

The Group had recognised deferred tax assets amounted approximately HK$4,313,000 (2007: HK$2,995,000) in relation to deductible temporary differences of a subsidiary as it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Group had unused tax losses of approximately HK$928,611,000 (2007: HK$850,534,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$68,018,000 (2007: HK$109,794,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$870,047,000 (2007: HK$740,740,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

As at the balance sheet date, the Company had unrecognised tax losses amounting to approximately HK$115,700,000 (2007: HK$78,127,000) which can be carried forward indefinitely. The deferred tax assets have not been recognised due to the unpredictability of future profit streams.

46. DEFERRED TAXATION (CONTINUED)

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No liability has been recognised in respect of differences associated with undistributed earnings of subsidiaries as at the balance sheet debt amounting to HK$9,816,000 because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

47. MAJOR NON-CASH TRANSACTIONS

(a) During the year 31 December 2008, the Group has received a special interim dividend from PEL by way of a distribution in specie of TPC shares held by PEL. Details of which are set out in note 23(1).

(b) During the year 31 December 2008, the Group has received a dividend distributed by a jointly controlled entity, Hoperise Industrial Limited of HK$10,000,000. The amount has been settled through the current account with jointly controlled entity.

(c) During the year 31 December 2007, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$25,452,000.

(d) During the year 31 December 2007, the Group further acquired 304,260,000 shares of SST through exchange of 133,523,480 shares of the Group.

48. OPERATING LEASES

The Group and the Company as lessee

Minimum lease payments paid under operating leases during the year amounted to approximately HK$4,819,000 (2007: HK$5,268,000).

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**7,647**	4,803	**2,945**	327
In the second to third year inclusive	**6,015**	7,706	**736**	–
Over five years	**1,159**	2,154	**–**	–
	14,821	14,663	**3,681**	327

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties, factory premises and quarters for directors and staff. Leases are negotiated and rentals are fixed for terms ranging from one to ten years.

The Group as lessor

Property and machinery rental income earned during the year was approximately HK$1,391,000 (2007: HK$2,291,000), less direct operating expenses of approximately HK$75,000 (2007: HK$6,000).

The Group leases its investment properties and machinery under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The investment properties and machinery are expected to generate rental yields of 7% (2007: 10%) on an ongoing basis. All the properties held have committed tenants for the next twelve months (2007: for the next three years). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

48. OPERATING LEASES (CONTINUED)

The Group as lessor (continued)

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 **HK$'000**	2007 HK$'000
Within one year	**1,299**	2,382
In the second to third years inclusive	**–**	2,085
	1,299	4,467

The Company had no operating lease commitment or arrangement as a lessor at 31 December 2008 and 2007.

49. CAPITAL COMMITMENTS

	THE GROUP	
	2008 **HK$'000**	2007 HK$'000
Capital expenditure contracted for but not provided in financial statements in respect of the acquisition of property, plant and equipment	**–**	3,572
Capital expenditure in respect of acquisition of intangible assets authorised but not contracted for	**–**	2,080

The Company had no capital commitment at 31 December 2008 and 2007.

50. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee given to banks in respect of banking facilities to a jointly controlled entity				
– amount guaranteed	**55,750**	120,750	**55,750**	120,750
– amount utilised	**18,037**	77,927	**18,037**	77,927
Cross guarantee given to banks, in respect of banking facilities to third parties				
– amount that could be required to be paid if the guarantee was called upon in entirety	**56,500**	63,600	**–**	–
– amount utilised	**50,850**	58,300	**–**	–
Guarantee given to financial institutions, in respect of finance leases to a subsidiary				
– amount that could be required to be paid if the guarantee was called upon in entirety	**–**	–	**24,102**	137,320
– amount utilised	**–**	–	**17,358**	29,350

The Group and the Company have given financial guarantees to banks and financial institutions in respect of banking facilities and finance leases granted to a jointly controlled entity, third parties and a subsidiary free of charge. The fair value of the financial guarantee contracts assessed by valuer based on credit-rating and default risk of respective companies at date of inception is insignificant.

51. RETIREMENT BENEFIT SCHEMES

The Group operates a Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group contributes 5% of relevant payroll costs to the MPF Scheme, up to a maximum contribution of HK$1,000 per employee monthly, which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme ("state-managed scheme") operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% of its payroll costs to the state-managed scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the state-managed scheme.

The total cost charged to consolidated income statement of approximately HK$3,850,000 (2007: HK$3,458,000) represents contributions payable to the MPF Scheme and state-managed scheme of approximately HK$1,275,000 (2007: HK$1,495,000) and HK$2,575,000 (2007: HK$1,963,000) respectively.

52. RELATED PARTY TRANSACTIONS

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

	Notes	**2008** **HK$'000**	2007 HK$'000
Management fees paid to a controlling shareholder	(i)	**960**	960
Management fees paid to a related company	(ii)	**660**	660
Interest expenses paid to a related company	(iii)	**689**	6,387
Utility expenses charged to a jointly controlled entity	(iv)	**965**	8,381
Purchases from a jointly controlled entity	(v)	**530**	16,399
Purchases from related companies	(vi)	**3,118**	7,087
Management fee received from a jointly controlled entity	(vii)	**5**	104

52. RELATED PARTY TRANSACTIONS (CONTINUED)

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 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 from a jointly controlled entity were made according to the contract terms.

(vi) 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.

(vii) Management fee were received from a jointly controlled entity for the provision of management service.

(b) Compensation of key management personnel

The remuneration of directors and key executives during the year was set out in note 13 which is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(c) The following guarantees were provided to banks to secure general banking facilities granted to the Group:

Guarantor	Relationship	Type of guarantee	Guarantee amount	
			2008	2007
			HK$'000	HK$'000
Mr. Chau Chit	Director of the Company	Personnel guarantee	**25,425**	39,875
Shougang Holding	Controlling shareholder	Corporate guarantee	**278,000**	278,000
Mega Start Limited	Substantial shareholder	Corporate guarantee	**78,000**	78,000

53. LITIGATION

In December 2008, San Tai Industrial Enterprise Ltd ("Santai"), a subsidiary of the Company, was served with an order (the "Order") issued by the Court of First Instance of the Hong Kong Special Administrative Region to enforce an arbitration award (the Award") obtained against Santai in Denmark for breach of a referral agreement entered into between Santai and Mercodan A/S ("Mercodan"), a Danish public limited company, on 17 February 2004.

The Award was made on 12 September 2008 in favour of Mercodan against Santai in the sum of US$3,000,000 plus interest and legal costs.

On 16 January 2009, an application was made by Santai to the High Court to set aside the Order. Directions have been given for the exchange of evidence and a hearing date has been fixed for 30 April 2009.

The substantive hearing is yet to be held, the Executive Committee is of the opinion that it is premature to estimate the likely financial impact on the Group. As such, no provision for any potential liability has been made in the consolidated financial statements during the year under review.

54. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2008, the Group has disposed of an aggregate number of 20,745,148 shares of TPC at a total consideration of approximately HK$123,000,000. The gain on disposal of TPC shares is approximately HK$33,644,000.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	436,532	426,676	624,388	678,819	**943,022**
Loss from operations less finance costs	(144,463)	(280,223)	(97,410)	(120,138)	**(20,784)**
Gain on partial disposal of a subsidiary	–	–	–	125,942	**–**
Gain on deemed partial disposal of an associate	–	–	–	64,246	**–**
Gain on disposal of an associate	–	–	–	183	**–**
Gain on deemed disposal of a subsidiary	–	–	–	–	**1,308**
Gain on disposal of available-for-investments	–	–	–	–	**15,051**
Share of results of associates	10,388	10,493	17,780	15,552	**7,100**
Share of results of jointly controlled entities	31,028	13,860	5,592	4,804	**(27,325)**
Profit (loss) before tax	(103,047)	(255,870)	(74,038)	90,589	**(24,650)**
Income tax credit (expense)	624	(2,025)	534	(3,498)	**(961)**
Profit (loss) for the year	(102,423)	(257,895)	(73,504)	87,091	**(25,611)**
Attributable to:					
Equity holders of the Company	(102,793)	(259,075)	(81,509)	78,759	**(30,745)**
Minority interests	370	1,180	8,005	8,332	**5,134**
Profit (loss) after tax	(102,423)	(257,895)	(73,504)	87,091	**(25,611)**
Dividends	–	–	–	–	**–**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	1,083,578	884,047	1,268,438	1,672,137	**2,020,670**
Total liabilities	(364,180)	(405,163)	(591,046)	(729,158)	**(991,184)**
	719,398	478,884	677,392	942,979	**1,029,486**
Equity attributable to equity holders of the Company	710,023	468,329	618,650	865,427	**1,012,205**
Minority interests	9,375	10,555	58,742	77,552	**17,281**
	719,398	478,884	677,392	942,979	**1,029,486**