

*Interim Report* 2009



**SHOUGANG CONCORD TECHNOLOGY  
HOLDINGS LIMITED**

Stock Code : 521

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**CORPORATE INFORMATION**

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**Board of Directors**

Cao Zhong (*Chairman*)  
Chau Chit (*Managing 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  
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

**CORPORATE INFORMATION (continued)**

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<b>Investment Committee</b>	Cao Zhong Chau Chit Mung Kin Keung Leung Shun Sang, Tony Leung Kai Cheung
<b>Company Secretary</b>	Cheng Man Ching
<b>Auditor</b>	Deloitte Touche Tohmatsu
<b>Share Registrars</b>	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Registered Office</b>	Room 01-04, 5th Floor Harcourt House 39 Gloucester Road Wanchai Hong Kong
<b>Stock Code</b>	521
<b>Website</b>	<a href="http://www.shougang-tech.com.hk">www.shougang-tech.com.hk</a>

## INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Technology Holdings Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		<b>Six months ended 30 June</b>	
	<i>NOTES</i>	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Revenue	3	<b>174,461</b>	396,362
Cost of sales		<b>(142,634)</b>	(261,276)
Gross profit		<b>31,827</b>	135,086
Other income		<b>24,182</b>	5,355
Increase in fair value of held for trading investments		<b>4,902</b>	–
Gain on disposal of held for trading investments		<b>8,957</b>	–
Gain on disposal of available-for-sale investments		<b>34,295</b>	–
Selling and distribution costs		<b>(5,603)</b>	(7,155)
Administrative expenses		<b>(31,412)</b>	(72,040)
Other expenses	26	<b>(9,305)</b>	–
Share of (loss) profit of associates		<b>(1,025)</b>	5,220
Share of (loss) profit of jointly controlled entities		<b>(3,541)</b>	16,168
Gain on deemed disposal of a subsidiary		–	1,308
Gain on disposal of a subsidiary	4(a)	<b>1,903</b>	–
Gain on fair value change of the derivative components of convertible loan notes		<b>7,207</b>	–
Finance costs	5	<b>(25,702)</b>	(17,899)
Profit before tax		<b>36,685</b>	66,043
Income tax credit (expense)	6	<b>2,390</b>	(3,088)
Profit for the period from continuing operations		<b>39,075</b>	62,955

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Six months ended 30 June	
	NOTES	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Discontinued operation</b>			
Profit (loss) for the period from discontinued operation	4(b)	169,808	(35,088)
Profit for the period	7	208,883	27,867
<b>Other comprehensive income</b>			
Share of translation reserves of associates		27	10,478
Share of translation reserves of jointly controlled entities		–	3,167
Exchange difference arising on translation		597	20,876
Fair value gain on available-for-sale investments		16,176	–
Reclassification adjustment: Transfer to profit or loss on sale of available-for-sale investments		(64,500)	–
Other comprehensive income for the period		(47,700)	34,521
Total comprehensive income for the period		161,183	62,388
Profit for the period attributable to:			
Owners of the Company		208,297	24,404
Minority interests		586	3,463
		208,883	27,867
Total comprehensive income attributable to:			
Owners of the Company		160,945	54,648
Minority interests		238	7,740
		161,183	62,388

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Six months ended 30 June	
	NOTES	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Earnings per share</b>	9		
<i>From continuing and discontinued operations</i>			
Basic		<b>HK10.17 cents</b>	HK1.27 cents
Diluted		<b>HK8.92 cents</b>	HK1.23 cents
<i>From continuing operations</i>			
Basic		<b>HK1.88 cents</b>	HK3.10 cents
Diluted		<b>N/A</b>	HK3.01 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2009

	NOTES	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties	10	10,508	10,508
Property, plant and equipment	10	116,086	226,324
Prepaid lease payments		7,652	8,993
Goodwill	11	235,470	235,364
Other receivable	4(b)	108,339	–
Intangible assets	12	120,689	119,734
Deposit paid for acquisition of intangible assets	13	233,338	105,903
Investments in associates		5,124	6,122
Investments in jointly controlled entities	15	–	151,742
Available-for-sale investments		17,403	15,974
Club debentures		700	630
Deferred tax assets		4,313	4,313
		<b>859,622</b>	<b>885,607</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments		360	393
Inventories		138,363	150,553
Trade and bills receivables	16	286,468	368,980
Prepayments, deposits and other receivables		395,458	120,237
Available-for-sale investments		–	116,221
Amounts due from customers for contract work	17	173,960	188,518
Amount due from an associate		47	47
Amount due from a jointly controlled entity		1,780	1,824
Held for trading investments		11,312	14,219
Tax recoverable		17	17
Pledged bank deposits		9,717	18,075
Bank balances and cash		402,280	155,979
		<b>1,419,762</b>	<b>1,135,063</b>
Non-current assets classified as held for sale	15	148,201	–
		<b>1,567,963</b>	<b>1,135,063</b>



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****(continued)**

AT 30 JUNE 2009

	NOTES	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	18	107,749	199,234
Other payables, deposits received and accruals		89,988	103,343
Provision	4(b)	50,000	–
Amounts due to customers for contract work	17	27,085	24,544
Loan from a related company		–	20,038
Tax liabilities		5,748	5,930
Bank borrowings – due within one year	19	138,255	285,415
Obligations under finance leases – due within one year		187	6,072
		<b>419,012</b>	<b>644,576</b>
<b>NET CURRENT ASSETS</b>			
		<b>1,148,951</b>	<b>490,487</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>2,008,573</b>	<b>1,376,094</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year	19	283,859	1,803
Obligations under finance leases – due after one year		–	11,736
Convertible loan notes	20	374,300	319,656
Embedded derivative components of convertible loan notes	20	67,984	–
Deferred tax liabilities		9,164	13,413
		<b>735,307</b>	<b>346,608</b>
<b>NET ASSETS</b>			
		<b>1,273,266</b>	<b>1,029,486</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	535,535	477,607
Reserves		728,160	534,598
Equity attributable to owners of the Company		1,263,695	1,012,205
Minority interests		9,571	17,281
<b>TOTAL EQUITY</b>			
		<b>1,273,266</b>	<b>1,029,486</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital	Share premium	Capital redemption reserve	Other reserves	Translation reserve	Capital reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Convertible loan notes equity reserve	Attributable to owners of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008 (audited)	471,947	607,960	2,084	360	19,205	53,690	-	7,103	(296,922)	-	865,427	77,552	942,979
Profit for the period	-	-	-	-	-	-	-	-	24,404	-	24,404	3,463	27,867
Share of translation reserves of associates	-	-	-	-	10,478	-	-	-	-	-	10,478	-	10,478
Share of translation reserves of jointly controlled entities	-	-	-	-	3,167	-	-	-	-	-	3,167	-	3,167
Exchange difference arising on translation	-	-	-	-	16,599	-	-	-	-	-	16,599	4,277	20,876
Total comprehensive income for the period	-	-	-	-	30,244	-	-	-	24,404	-	54,648	7,740	62,388
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	11,725	16,822	-	-	-	-	-	(5,117)	-	-	23,430	-	23,430
Arising from acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(698)	(698)
Deferred tax of convertible loan notes equity reserve	-	-	-	-	-	-	-	-	-	(13,589)	(13,589)	-	(13,589)
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(152)	(152)
At 30 June 2008 and 1 July 2008 (unaudited)	483,672	624,782	2,084	360	49,449	53,690	-	32,281	(272,518)	68,767	1,042,567	84,442	1,127,009
At 1 January 2009 (audited)	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
Profit for the period	-	-	-	-	-	-	-	-	208,297	-	208,297	586	208,883
Share of translation reserves of associates	-	-	-	-	27	-	-	-	-	-	27	-	27
Exchange difference arising on translation	-	-	-	-	945	-	-	-	-	-	945	(348)	597
Fair value gain on available-for-sale investments	-	-	-	-	-	-	16,176	-	-	-	16,176	-	16,176
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	-	-	-	(64,500)	-	-	-	(64,500)	-	(64,500)
Total comprehensive income for the period	-	-	-	-	972	-	(46,324)	-	208,297	-	160,945	238	161,183
Share issued at premium	57,500	34,500	-	-	-	-	-	-	-	-	92,000	-	92,000
Exercise of share options	428	268	-	-	-	-	-	(2,151)	-	-	(1,455)	-	(1,455)
Arising from acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(973)	(973)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(6,975)	(6,975)
At 30 June 2009 (unaudited)	535,535	644,676	2,084	360	49,661	53,690	-	28,292	(119,370)	68,767	1,263,695	9,571	1,273,266

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Six months ended 30 June	
	NOTE	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		<b>(16,436)</b>	(44,957)
INVESTING ACTIVITIES			
Net cash outflow on disposal of subsidiaries	4	<b>(5,048)</b>	-
Net cash outflow on deemed disposal of a subsidiary		-	(10)
Proceeds from disposal of available-for-sale investments		<b>102,192</b>	-
Purchase of intangible assets		<b>(4,017)</b>	(121,893)
Increase in deposit paid for acquisition of intangible assets		<b>(127,627)</b>	-
Purchase of property, plant and equipment		<b>(1,815)</b>	(5,718)
Purchase of available-for-sale investments		-	(2,493)
Acquisition of additional interest in a subsidiary		<b>(1,079)</b>	-
Purchase of club debentures		<b>(180)</b>	-
Other investing activities		<b>7,958</b>	(13,500)
NET CASH USED IN INVESTING ACTIVITIES		<b>(29,616)</b>	(143,614)
FINANCING ACTIVITIES			
New bank loans raised		<b>362,265</b>	49,155
Proceeds from issue of convertible loan notes		<b>116,250</b>	385,000
Proceeds from issue of shares		<b>92,000</b>	-
Exercise of share options		<b>696</b>	23,430
Repayment of bank loans		<b>(217,526)</b>	(70,276)
Repayment of loan from a related company		<b>(20,038)</b>	-
Repayment of obligations under finance leases		<b>(17,621)</b>	(7,657)
Interest expenses paid		<b>(13,699)</b>	(14,837)
Repayment of trust receipts loans		<b>(9,844)</b>	(16,801)
Expenses on issue of convertible loan notes		-	(90)
NET CASH FROM FINANCING ACTIVITIES		<b>292,483</b>	347,924
NET INCREASE IN CASH AND CASH EQUIVALENTS		<b>246,431</b>	159,353
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<b>155,979</b>	55,190
Effect of foreign exchange rate changes		<b>(130)</b>	404
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		<b>402,280</b>	214,947

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 1. BASIS OF PREPARATION

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

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

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except as described below.

#### **Financial instruments**

*Convertible loan notes that contain liability component and derivative components*  
Convertible loan notes issued by the Group that contain both liability and derivative components (including conversion option derivative, bondholder's early redemption option derivative and compulsory conversion option derivative) are classified separately into respective items on initial recognition. Conversion option that will be settled other than 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 a conversion option derivative. At the date of issue, both the liability and derivative components are recognised at fair value.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Financial instruments (continued)**

*Convertible loan notes that contain liability component and derivative components (continued)*

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative components are measured at fair values with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. 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.

#### **Jointly controlled entities are accounted for using the equity method**

The results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (see accounting policy on non-current assets held for sale below). The results and assets and liabilities of jointly controlled entities using the method of equity method of accounting will be ceased upon the reclassification of jointly controlled entities into non-current assets held for sale.

#### **Non-current assets held for sale**

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amounts and fair value less costs to sell.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). HKAS 23 (Revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying assets. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. The application of HK(IFRIC) Int 17 Distribution of Non-cash Assets to Owners which is effective for annual period beginning on or after 1 July 2009 require the Group to account for the measurement of a liability to distribute non-cash assets as a dividend to its owners at fair value of assets to be distributed. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the executive director of the Group, in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating segments under HKFRS 8 are therefore as follows:

DTV technical solutions and equipment business – Manufacture and sales of DTV equipment 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.

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.

In prior years, the Group was involved in the photomask operation, which was reported as a separate segment under HKAS 14. That operation was discontinued with effect from 11 June 2009. For HKFRS 8 purposes, the photomask operation is included in the photomask business operating segment. The comparative figures have been re-presented to classify the photomask operation as a discontinued operation for the period ended 30 June 2008.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 3. SEGMENT INFORMATION (continued)

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

#### Six months ended 30 June 2009 (unaudited)

	Continuing operations						Discontinued operation			
	Digital technical solutions and equipment business	Traditional business	Printed circuit boards	High precision metal components	Intelligent information business	Others	Eliminations	Total	Photomask business	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>										
External sales	57,681	27,345	-	9,694	79,666	75	-	174,461	8,687	183,148
Inter-segment sales	2,316	188	-	-	-	-	(2,504)	-	-	-
<b>Total</b>	<b>59,997</b>	<b>27,533</b>	<b>-</b>	<b>9,694</b>	<b>79,666</b>	<b>75</b>	<b>(2,504)</b>	<b>174,461</b>	<b>8,687</b>	<b>183,148</b>
<b>RESULT</b>										
Segment results	33,948	(28,282)	538	1,217	9,517	(454)		16,484	(35,380)	(18,876)
Unallocated corporate income								6,645	-	6,645
Unallocated corporate expense								(13,440)	-	(13,440)
Increase in fair value of held for trading investments								4,902	-	4,902
Gain on disposal of held for trading investments								8,957	-	8,957
Gain on disposal of available-for-sale investments								34,295	-	34,295
Gain on disposal of subsidiaries								1,903	206,904	208,807
Gain on fair value change of the derivative components of convertible loan notes								7,207	-	7,207
Share of loss of associates								(1,025)	-	(1,025)
Share of loss of jointly controlled entities								(3,541)	-	(3,541)
Finance costs								(25,702)	(1,736)	(27,438)
<b>Profit before tax</b>								<b>36,685</b>	<b>169,808</b>	<b>206,493</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 3. SEGMENT INFORMATION (continued) Six months ended 30 June 2008 (unaudited)

	Continuing operations							Discontinued operation		
	Digital technical solutions and equipment business	Traditional business	Printed circuit boards	High precision metal components	Intelligent information business	Others	Eliminations	Total	Photomask business	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>										
External sales	159,543	108,791	-	26,361	101,560	107	-	396,362	21,628	417,990
Inter-segment sales	249	-	-	-	-	354	(603)	-	-	-
<b>Total</b>	<b>159,792</b>	<b>108,791</b>	<b>-</b>	<b>26,361</b>	<b>101,560</b>	<b>461</b>	<b>(603)</b>	<b>396,362</b>	<b>21,628</b>	<b>417,990</b>
<b>RESULT</b>										
Segment results	105,508	(8,655)	-	(2,633)	8,515	(713)		102,022	(33,409)	68,613
Unallocated corporate income								3,693	58	3,751
Unallocated corporate expense								(44,469)	-	(44,469)
Gain on deemed disposal of a subsidiary								1,308	-	1,308
Share of profit of associates								5,220	-	5,220
Share of profit of jointly controlled entities								16,168	-	16,168
Finance costs								(17,899)	(1,737)	(19,636)
<b>Profit before tax</b>								<b>66,043</b>	<b>(35,088)</b>	<b>30,955</b>

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

Segment profit represents the profit earned by each segment without allocation of increase in fair value of held for trading investments, gain on disposal of held for trading investments, gain on disposal of available-for-sale investments, gain on disposal of subsidiaries, gain on deemed disposal of a subsidiary, share of (loss) profit of associates, share of (loss) profit of jointly controlled entities, gain on fair value changes of the derivative components of convertible loan notes, unallocated corporate income and expenses and finance costs. This is the measure reported to the chief operation decision maker, the executive director of the Group, for the purposes of resources allocation and assessment of segment performance.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 4. DISPOSAL OF A SUBSIDIARY/DISCONTINUED OPERATION

#### (a) Disposal of a subsidiary

On 4 May 2009, a subsidiary of the Company entered into an agreement to dispose of its entire 60% equity interest in a subsidiary, Dorup Limited ("Dorup"), which carried out manufacturing business of telephone cords and cables, to an independent third party at a consideration of approximately HK\$12,440,000.

The disposal was completed on 8 May 2009 ("Completion Date"), on which date control of Dorup was passed to the purchaser.

The disposal has resulted in a gain of approximately HK\$1,903,000. Bank balances and cash disposal of is approximately HK\$7,509,000. Transaction costs paid on disposal amounting to HK\$98,000.

The disposal was satisfied partly by cash consideration of approximately HK\$5,976,000 and the remaining consideration is settled by deferred cash consideration (included in other receivable) of approximately HK\$6,464,000, which is expected to be settled in cash by the purchaser within 12 months from the Completion Date.

#### (b) Discontinued operation

On 27 April 2009, a subsidiary of the Company entered into an agreement to dispose of its entire interest in Remarkable Mask Technology Company Limited ("Remarkable"), a wholly owned subsidiary of the Group, which carried out all of the Group's manufacture and sale of photomask products business, to an independent third party. The disposal was completed on 11 June 2009 ("Completion Date"), on which date control of Remarkable was passed to the purchaser. Due to the disposal of photomask operation during the period ended 30 June 2009, the comparative figures have been restated to present the photomask operation as discontinued operation for the period ended 30 June 2008.

The profit (loss) for the period from the discontinued operation is analysed as follows:

	<b>1.1.2009 to 11.6.2009 HK\$'000 (unaudited)</b>	1.1.2008 to 30.6.2008 HK\$'000 (unaudited)
Loss of photomask operation for the period	<b>(37,096)</b>	(35,088)
Gain on disposal of photomask operation	<b>206,904</b>	–
	<b>169,808</b>	(35,088)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 4. DISPOSAL OF A SUBSIDIARY/DISCONTINUED OPERATION (continued)

The results of the period from the discontinued operation were as follows:

	<b>1.1.2009 to 11.6.2009 HK\$'000 (unaudited)</b>	1.1.2008 to 30.6.2008 HK\$'000 (unaudited)
Revenue	<b>8,687</b>	21,628
Cost of sales	<b>(16,824)</b>	(25,784)
Depreciation of property, plant and equipment	<b>(24,961)</b>	(24,845)
Other income	–	60
Selling and distribution costs	<b>(1,070)</b>	(2,643)
Administrative expenses	<b>(1,192)</b>	(1,767)
Finance costs	<b>(1,736)</b>	(1,737)
	<hr/>	<hr/>
Loss for the period	<b>(37,096)</b>	(35,088)
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 4. DISPOSAL OF A SUBSIDIARY/DISCONTINUED OPERATION (continued)

The net assets of Remarkable at the date of disposal were as follows:

	<b>11 June 2009</b> <b>HK\$'000</b> <b>(unaudited)</b>
Net assets disposed of:	
Property, plant and equipment	73,644
Inventories	5,370
Trade receivables	3,950
Other receivables	191
Bank balances and cash	3,159
Trade payables	(6,585)
Other payables and accruals	(16,977)
	<u>62,752</u>
Gain on disposal	206,904
	<u>269,656</u>
Total consideration	
Satisfied by:	
Deferred cash consideration (included in other receivable)	319,914
Provision ( <i>note</i> )	(50,000)
Transaction costs paid on disposal	(258)
	<u>269,656</u>
Net cash outflow arising on disposal:	
Bank balances and cash on disposal	(3,159)
Transaction costs paid on disposal	(258)
	<u>(3,417)</u>

*Note:* Pursuant to the sale and purchase agreement on disposal of Remarkable, the Group is obliged to maintain the property, plant and equipment in good conditions until March 2011. In order to meet this present obligation, management considered that the Group will incur expenditure (primarily staff costs and repair and maintenance expenses) for maintaining the disposed property, plant and equipment in good conditions. Such provision is measured at the management's best estimate of the expenditure required to settle the obligation as at 30 June 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 4. DISPOSAL OF A SUBSIDIARY/DISCONTINUED OPERATION (continued)

The consideration is expected to be settled in cash by the purchaser in six instalments. Consideration of approximately HK\$211,575,000 (US\$27,300,000) is expected to be settled in cash by the purchaser within 12 months from the balance sheet date and is therefore included in current assets.

The remaining consideration of approximately HK\$108,339,000 (US\$14,700,000) is expected to be settled in cash by the purchaser for more than 12 months from the balance sheet date and is therefore included in non-current assets. The deferred cash consideration is measured at amortised cost using the effective interest method.

### 5. FINANCE COSTS

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Interest on:		
Bank borrowings wholly repayable within five years	6,267	10,040
Convertible loan notes ( <i>note 20</i> )	19,208	7,172
Finance leases	20	20
Amount due to a related company	207	667
	25,702	17,899
<b>Discontinued operation</b>	1,736	1,737
	27,438	19,636
Total	27,438	19,636

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 6. INCOME TAX (CREDIT) EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
The income tax (credit) expense comprises:		
Current tax:		
Hong Kong	150	1,304
Other regions in the PRC	1,148	3,972
	<u>1,298</u>	<u>5,276</u>
Underprovision (overprovision) in prior year:		
Hong Kong	28	–
PRC	398	(1,378)
	<u>426</u>	<u>(1,378)</u>
Deferred tax	<u>(4,114)</u>	<u>(810)</u>
Income tax (credit) expense relating to continuing operations	<b>(2,390)</b>	3,088
Income tax expense relating to discontinued operation	–	–
Income tax (credit) expense relating to continuing and discontinued operations	<b><u>(2,390)</u></b>	<b><u>3,088</u></b>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the period under review. Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. For the both periods of six months ended 30 June 2009 and 30 June 2008, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25%.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 7. PROFIT FOR THE PERIOD

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:						
Allowance for inventories (included in cost of sales)	1,185	-	-	-	1,185	-
Amortisation of intangible assets (included in cost of sales)	3,201	2,181	-	-	3,201	2,181
Release of prepaid lease payments (included in administrative expenses)	192	197	-	-	192	197
Depreciation of property, plant and equipment	6,495	8,652	24,961	24,845	31,456	33,497
Loss on disposal of property, plant and equipment	3,855	18	-	-	3,855	18
Share of tax of associates (included in share of profit of associates)	-	941	-	-	-	941
Share of tax of a jointly controlled entity (included in share of profit of jointly controlled entities)	-	336	-	-	-	336
Net foreign exchange loss	-	4,184	77	855	77	5,039
and after crediting:						
Income from insurance claim in relation to a flooding	16,694	-	-	-	16,694	-
Reversal of impairment loss recognised on amounts due from customers for contract work	1,785	-	-	-	1,785	-
Net foreign exchange gain	3,596	-	-	-	3,596	-
Interest income from bank deposits	431	1,162	-	2	431	1,164

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 8. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not declare the payment of an interim dividend.

### 9. EARNINGS PER SHARE

#### From continuing and discontinued operations

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

	<b>Six months ended 30 June</b>	
	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<b>208,297</b>	24,404
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	<b>19,208</b>	–
Gain on fair value change of the derivative components of convertible loan notes	<b>(7,207)</b>	–
Deferred tax on convertible loan notes	<b>(4,114)</b>	–
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b>216,184</b>	24,404
	<hr/> <hr/>	<hr/> <hr/>
	<b>2009 '000</b>	2008 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,047,913</b>	1,916,201
Effect of dilutive potential ordinary shares:		
– share options	–	63,326
– convertible loan notes	<b>376,761</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,424,674</b>	1,979,527
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 9. EARNINGS PER SHARE (continued)

#### From continuing and discontinued operations (continued)

For the period ended 30 June 2009, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise price of these share options is higher than the average market price of the Company's shares.

For the period ended 30 June 2008, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an increase in earnings per share.

#### From continuing operations

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

	<b>Six months ended 30 June</b>	
	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
Earnings figures are calculated as follows:		
Profit for the period attributable to the owners of the Company	<b>208,297</b>	24,404
Less: profit (loss) for the period from discontinued operation	<b>169,808</b>	(35,088)
Earnings for the purpose of basic earnings per share (2008: basic and diluted earnings per share) from continuing operations	<b>38,489</b>	59,492

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

No diluted earnings per share from continuing operations has been calculated for the period ended 30 June 2009 as the conversion of the Company's outstanding convertible loan notes could result in an increase in earnings per share.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 9. EARNINGS PER SHARE (continued)

#### From discontinued operation

Basic earnings per share from discontinued operation is HK8.29 cents per share (2008: basic loss per share from discontinued operation was HK1.83 cents per share) and diluted earnings per share from the discontinued operation is HK7.00 cents per share (2008: N/A), based on the profit for the period from the discontinued operation of HK\$169,808,000 (2008: loss for the period from the discontinued operation of HK\$35,088,000) and the denominators detailed above for both basic and diluted earnings per share.

No diluted loss per share has been calculated for the period ended 30 June 2008 from discontinued operation as the exercise of share options granted by the Company could result in a decrease in loss per share from discontinued operation.

### 10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors are of the opinion that the market value of the Group's investment properties as at 30 June 2009 is not materially different from the carrying value of the investment properties by reference to recent market transactions in similar properties. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group incurred approximately HK\$1,815,000 (HK\$5,718,000 for the six months ended 30 June 2008) on acquisition of property, plant and equipment in order to upgrade its operating capacities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 11. GOODWILL

	2009 HK\$'000
<b>Gross</b>	
At 1 January 2009 (audited)	235,364
Arising on acquisition of additional interest of a subsidiary	106
	<hr/>
At 30 June 2009 (unaudited)	235,470
	<hr/> <hr/>
<b>Accumulated impairment losses</b>	
At 1 January 2009 (audited) and 30 June 2009 (unaudited)	–
	<hr/> <hr/>

Goodwill recognised during the period ended 30 June 2009 of approximately HK\$106,000 represented goodwill arose from the acquisition of Sino Stride Technology (Holdings) Limited.

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 30 June 2009 allocated to these units are as follows:

	2009 HK\$'000 (unaudited)
Intelligent information business segment	
– Sino Stride Technology (Holdings) Limited (“SST”) (note a)	222,948
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
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	235,470
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 11. GOODWILL (continued)

- (a) During the period/year ended 30 June 2009 and 31 December 2008, 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) 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% (2008: 14.0%). Cash flows beyond the 6-year period are extrapolated using a 3% (2008: 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) During the period/year ended 30 June 2009 and 31 December 2008, management of the Group has determined that there are no impairments on the goodwill arising from the acquisition 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. 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 budgets approved by the management covering a 6-year period, and a discount rate of 12% (2008: 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 12. INTANGIBLE ASSETS

	Development costs <i>HK\$'000</i>	Project contracts <i>HK\$'000</i>	Contract acquisition costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 January 2008 (audited)	4,344	1,473	–	5,817
Additions	–	–	121,894	121,894
Exchange realignment	288	–	–	288
	<u>4,632</u>	<u>1,473</u>	<u>121,894</u>	<u>127,999</u>
At 31 December 2008 and 1 January 2009 (audited)	4,632	1,473	121,894	127,999
Additions	4,017	–	–	4,017
Exchange realignment	(7)	–	146	139
	<u>8,642</u>	<u>1,473</u>	<u>122,040</u>	<u>132,155</u>
At 30 June 2009 (unaudited)	8,642	1,473	122,040	132,155
<b>AMORTISATION AND IMPAIRMENT</b>				
At 1 January 2008 (audited)	2,226	516	–	2,742
Charge for the period	–	296	5,080	5,376
Exchange realignment	147	–	–	147
	<u>2,373</u>	<u>812</u>	<u>5,080</u>	<u>8,265</u>
At 31 December 2008 and 1 January 2009 (audited)	2,373	812	5,080	8,265
Charge for the period	–	146	3,055	3,201
	<u>2,373</u>	<u>958</u>	<u>8,135</u>	<u>11,466</u>
At 30 June 2009 (unaudited)	2,373	958	8,135	11,466
<b>CARRYING VALUES</b>				
At 30 June 2009 (unaudited)	<u>6,269</u>	<u>515</u>	<u>113,905</u>	<u>120,689</u>
At 31 December 2008 (audited)	<u>2,259</u>	<u>661</u>	<u>116,814</u>	<u>119,734</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 12. INTANGIBLE ASSETS (continued)

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

Development costs represent 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 period ended 30 June 2009 and year ended 31 December 2008, the directors consider that no impairment loss on development costs is required.

Project contracts represent 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 14 during the period and are amortised over the terms of contract of 20 years.

### 13. 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.

### 14. JOINTLY CONTROLLED OPERATION

Since June 2008, 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 cable digital television network during the period.

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 14. JOINTLY CONTROLLED OPERATION (continued)

At 30 June 2009 and 31 December 2008, the aggregate amount of assets, liabilities, revenue and profit recognised in the Group's consolidated financial statements are as follows:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Assets	<b>347,243</b>	222,716
Liabilities	–	–

  

	<b>Six months ended 30 June</b>	
	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
Revenue	<b>44,638</b>	35,200
Profit after tax	<b>41,583</b>	29,940

### 15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 19 June 2009, the Group entered into a share transfer agreement (the "Agreement") with Mr. Wang Kun Tien (the "purchaser"), an independent third party who owned the other 50% interest in Hoperise Industrial Limited ("Hoperise"), pursuant to which the Group agreed to sell the shares, representing 50% of the issued share capital of Hoperise, a company engaged in copper wire drawing and is a jointly controlled entity of the Company, at a consideration of approximately HK\$152,000,000. The results of Hoperise has been recognised by the Group up to date of disposal. The disposal was completed on 31 July 2009.

Investments in jointly controlled entities amounting to HK\$148,201,000 have been reclassified as non-current assets held for sale as at 30 June 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 16. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable 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 at the end of reporting period, based on the invoice date, and net of allowance, is as follows:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
0 – 90 days	<b>54,222</b>	286,245
91 – 180 days	<b>59,646</b>	59,587
181 – 365 days	<b>170,343</b>	16,988
1 – 2 years	<b>198</b>	3,758
Over 2 years	<b>2,059</b>	2,402
	<b>286,468</b>	368,980



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 17. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	<b>1,518,930</b>	1,180,114
Less: Progress billings	<b>(1,372,055)</b>	(1,016,140)
	<b>146,875</b>	163,974
Analysed for reporting purposes of:		
Amounts due from contract customers	<b>173,960</b>	188,518
Amounts due to contract customers	<b>(27,085)</b>	(24,544)
	<b>146,875</b>	163,974

At 30 June 2009, retentions held by customers for contract works amounted to approximately HK\$64,147,000 (31 December 2008: HK\$53,350,000) which was included in amounts due from customers for contract work. Advances received from customers for contract work amounted to approximately HK\$5,465,000 (31 December 2008: HK\$5,303,000) which was included in other payables, deposits received and accruals.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 18. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables at the end of reporting period, based on the invoice date, is as follows:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
0 – 90 days	<b>77,725</b>	87,906
91 – 180 days	<b>1,958</b>	92,100
181 – 365 days	<b>20,325</b>	9,343
1 – 2 years	<b>5,232</b>	5,199
Over 2 years	<b>2,509</b>	4,686
	<b>107,749</b>	199,234

### 19. BANK BORROWINGS

During the period, the Group obtained new bank loans and trust receipt loans amounting to approximately HK\$362,265,000 (2008: HK\$49,155,000) and repaid HK\$227,370,000 (2008: HK\$87,077,000). The borrowings bear interest at market rates ranging from 2.06% to 5.94% (2008: 2.52% to 8.20%) and are repayable in instalments over a period of one to five years. The proceeds were used to finance the purchase of raw materials and acquisition of plant and equipment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 20. CONVERTIBLE LOAN NOTES

The movement of the liability component and the derivative components (including conversion option derivative, bondholder's early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the period ended 30 June 2009 is set out as follows:

	<b>Liability component</b>	<b>Derivative components</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2009 (audited)	319,656	–
Issue of Convertible Bond	41,059	75,191
Interest charge ( <i>note 5</i> )	19,208	–
Interest paid	(5,727)	–
Exchange realignment	104	–
Gain on fair value change	–	(7,207)
	<u>374,300</u>	<u>67,984</u>
Carrying amount at 30 June 2009 (unaudited)	<u>374,300</u>	<u>67,984</u>

- (a) On 5 June 2009 ("Issue Date"), the Company issued a new convertible bond for a principal amount of US\$15,000,000 (equivalent to approximately HK\$116,250,000) ("Convertible Bond") to an independent third-party, Templeton Strategic Emerging Markets Fund III, LDC (the "Convertible Bondholder").

The major terms of Convertible Bond are as follows:

- (i) Conversion option:

The maturity date of the Convertible Bond is on 5 June 2014 ("Maturity Date"). The Convertible Bond shall not bear any interest and will be redeemed at its outstanding principal amount and a premium of 8.5% per annum compounded annually, on the outstanding principal amount at the Maturity Date by the Company. The Convertible Bond was denominated in United States dollars.

The Convertible Bond is convertible into shares of the Company at any time after the Issue Date up to, but excluding the close of business on the Maturity Date at the conversion price of HK\$0.60 per share, subject to anti-dilution adjustments ("Conversion Price").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 20. CONVERTIBLE LOAN NOTES (continued)

(a) (continued)

(ii) Compulsory conversion option:

The Company has the compulsory conversion option to convert the Convertible Bond at any time starting from the first day after the second anniversary of the Issue Date and prior to the Maturity Date (but excluding the Maturity Date), if the volume weighted average of the closing market price of the shares of the Company for any consecutive 20 business days (excluding any days on which the trading of the shares is suspended) ("Trading Days") immediately preceding the date of exercise of such right exceeded 170% of the Conversion Price and there is a minimum daily trading value of HK\$7,800,000 for each of such 20 Trading Days. Then, the Company may, having given not less than 30 but not more than 60 days' prior notice in writing to the Convertible Bondholder to convert all outstanding principal amount of the Convertible Bond into the Company's shares.

(iii) Bondholder's early redemption option:

The Convertible Bondholder shall be entitled by giving 10 business day prior written notice to the Company require the Company to redeem the whole amount, or any part, of the Convertible Bond on the date falling on the second anniversary from the Issue Date, which is on 5 June 2011. The amount payable on redemption in such case is the amount which is equal to the aggregate of (i) the principal amount of the Convertible Bond to be redeemed; and (ii) a premium equal to 8.5% per annum, compounded annually, accrued from the Issue Date up to (but excluding) the date of redemption for such Convertible Bond to be redeemed, calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

The Convertible Bond contains liability component, conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative. The conversion options and bondholder's early redemption options are not closely related to the liability component and are classified as derivative components.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 20. CONVERTIBLE LOAN NOTES (continued)

(a) (continued)

At the date of issue, the liability component was recognised at fair value. The fair value of liability component was calculated based on the present value of the redemption amount at the maturity. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The effective interest rate of the liability component is 33.6%.

The conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative are measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in the consolidated statement of comprehensive income for the period ended 30 June 2009.

Binomial model is used for valuation of conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative. The major inputs into the model were as follows:

	5 June 2009	30 June 2009
Stock price	HK\$0.60	HK\$0.51
Exercise price	HK\$0.60	HK\$0.60
Volatility	50%	50%
Dividend yield	0%	0%
Option life	5 years	4.93 years
Risk free rate	2.83%	2.54%

The fair value of the Convertible Bond with embedded derivatives were determined by the directors with reference to a valuation report carried out by an independent and recognised international business valuers, on Issue Date at approximately HK\$116,250,000. At 30 June 2009, the liability component of the Convertible Bond is HK\$41,923,000 which is stated at amortised cost using the effective interest method and the fair value of the derivative components of the Convertible Bond is HK\$67,984,000.

- (b) 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. The Convertible Notes carry 3% coupon interest per annum payable semi-annually and redeemable at its principal amount on 17 April 2011 by the Company. At 30 June 2009, the carrying amount of the liability component of the Convertible Notes is HK\$332,377,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 21. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1 January 2009 (audited) and 30 June 2009 (unaudited)	4,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2009 (audited)	1,910,427,179	477,607
Issue of shares on subscription ( <i>note</i> )	230,000,000	57,500
Exercise of share options	1,714,000	428
At 30 June 2009 (unaudited)	2,142,141,179	535,535

*Note:* On 27 April 2009, the Company entered into a subscription agreement with the subscriber, an independent third party, pursuant to which the subscriber has agreed to subscribe for 230,000,000 new shares at the subscription price of HK\$0.40 per share, raising proceeds of HK\$92,000,000. Such proceeds would be used by the Company for developing its digital television business in the PRC and any related businesses.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 22. CONTINGENT LIABILITIES

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Guarantee for banking facilities utilised by a jointly controlled entity	<b>19,723</b>	18,037
Cross guarantee for banking facilities utilised by an outsider	<b>50,850</b>	50,850
	<b>70,573</b>	68,887

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

The directors consider that the fair value of the financial guarantee contracts at date of inception and its carrying amount at reporting date is insignificant as the default risk is low.

### 23. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors, employees and other participants of the Group. Details of the share options outstanding during the six months ended 30 June 2009 are as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2009 (audited)	262,492,810
Exercised during the period	(1,714,000)
Lapsed during the period	(12,510,000)
	<b>248,268,810</b>

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.54.

No share option was granted during the period ended 30 June 2009.

### 24. NON-CASH TRANSACTIONS

Details of major non-cash transactions are set out in note 4.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 25. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	Notes	Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Management fees paid to a controlling shareholder	(i)	477	480
Management fees paid to a related company	(ii)	328	330
Interest expenses paid to related companies	(iii)	207	667
Utility expenses charged to a jointly controlled entity	(iv)	15	678
Purchases from a jointly controlled entity		78	209
Purchases from related companies	(v)	680	1,832
		<u>680</u>	<u>1,832</u>

Notes:

- (i) Management fees were paid to Shougang Holding for the provision of management services.
- (ii) Management fees were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding, for the provision of management services.
- (iii) Interest expenses were paid to associates of Shougang Holding and Shougang (Hong Kong) Finance Company Limited, a subsidiary of Shougang Holding for granting interest-bearing loan advanced to the Group. The loan was fully repaid during the period ended 30 June 2009.
- (iv) Utility expenses charged to a jointly controlled entity were related to the reimbursement of certain utility costs incurred by it. The reimbursement was based on the actual costs incurred.
- (v) Purchases were made from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited, both are wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which Shougang Holding is a controlling shareholder.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 26. 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 (the “High Court”) 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 (the “Application”).

On 30 April 2009, a judgment was made by the High Court to dismiss the Application and permit the enforcement of the Award.

On 26 June 2009, Santai paid Mercodan a total sum of US\$1,200,000 (included in other expenses) for a full and final settlement of the Award in accordance with the deed of settlement dated on 25 June 2009 signed between Santai and Mercodan.

### 27. EVENTS AFTER THE END OF THE INTERIM PERIOD

Details of which are set out in note 15.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**TO THE BOARD OF DIRECTORS OF  
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED**

首長科技集團有限公司

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

We have reviewed the interim financial information set out on pages 4 to 40, which comprises the condensed consolidated statement of financial position of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of review**

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

## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)**

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### **Conclusion**

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

7 September 2009

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Turnover from the continued operations for the six months ended 30 June 2009 amounted to HK\$174.5 million (six months period ended 30 June 2008: HK\$396.4 million), representing a decrease of 56% over the corresponding period of the previous year. The decrease was attributable to the significant reduction of customer orders received and the slowdown of progress billings recognised on certain installation contracts in the first half of the year.

Profit attributable to the owners of the Company for the period amounted to HK\$208.3 million (six months period ended 30 June 2008: HK\$24.4 million), representing an increase of 754% over the same period of the previous year. The increase was mainly attributable to the disposal of two subsidiaries which recognised a gain of approximately HK\$208.8 million, the gain on disposal of available-for-sales investments and held for trading investments of approximately HK\$43.3 million and offset by the operating expenses of HK\$43.8 million. The basic and diluted earnings per share from continuing and discontinued operations were HK10.17 cents and HK8.92 cents respectively. By excluding the discontinued operation, the basic earnings per share from continuing operations was HK1.88 cents, representing a decrease of 39% over the same period of the previous year.

As at 30 June 2009, the Group's equity attributable to the owners of the Company amounted to HK\$1,263.7 million, an increase of HK\$251.5 million over the audited figure as at 31 December 2008 of HK\$1,012.2 million. The net asset value per share attributable to the owners of the Company as at 30 June 2009 was HK\$0.59 (31 December 2008: HK\$0.53).

### Digital Television Business

As at 30 June 2009, the Group had, together with Guangdong Southern Yinshi Network Media Company Limited (hereinafter abbreviated as "Southern Yinshi"), set up 15 local digital television project companies (hereinafter abbreviated as "local project companies") in Guangdong Province and established an operational platform with approximately 1,200,000 users of cable television.

During the period under review, the Group, pursuant to the cooperative agreement it had entered into with Southern Yinshi, has received an operating income of technical service fee from local project companies amounting to approximately HK\$44.6 million (six months period ended 30 June 2008: HK\$35.2 million). The rise in service fee received was mainly due to the increasing number of new subscribers during the period. However, the weak domestic economy environment adversely affected the consumer sentiment in the first half of the year. As a result, the Group reported a turnover of approximately HK\$13.1 million through the provision and manufacture of digital television equipment compared with a turnover of approximately HK\$124.3 million in the last corresponding period. The Group will continue to devote more resources and effort to explore the new domestic and export markets and the management still believe that the digital television business can generate a rewarding return to the Group in the long run.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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### Business Review (continued)

#### *System Integration Solution Services*

The system integration solution services have continued to generate stable return for the Group. The turnover and operating profit of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as "SST") for the six months period ended 30 June 2009 amounted to HK\$79.7 million (six months period ended 30 June 2008: HK\$101.6 million) and HK\$9.5 million (six months period ended 30 June 2008: HK\$8.5 million).

SST will continue to explore new business such as providing energy efficiency solution to the telecommunication industry. It is expected that the new opportunity will continue to provide growth to the Group in the coming future.

#### *Traditional Business*

Traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. Suffering from the impact of global economic downturn, the turnover of traditional business fell by nearly 75% to HK\$27.3 million (six months period ended 30 June 2008: HK\$108.8 million) while operating loss also increased to HK\$28.3 million (six months period ended 30 June 2008: HK\$8.7 million). However, the operating loss has been compensated by the receipt from insurance claim in relation to a flooding in 2008 amounting to HK\$16.7 million. Furthermore, the Group also disposed its 60% owned subsidiary which manufactured the low margin telephone cords and cables to an independent third party and recognised a gain of approximately HK\$1.9 million in May 2009.

#### *High Precision Metal Components*

For the six months period ended 30 June 2009, turnover and the operating profit were HK\$9.7 million (six months period ended 30 June 2008: HK\$26.4 million) and HK\$1.2 million (six months period ended 30 June 2008: loss of HK\$2.6 million). The improvement of the result was contributed to more tighten cost control measures implemented by the management.

#### *Photomask – Discontinued operation*

The photomask business is classified under discontinued operation with the disposal of Remarkable Mask Technology Company Limited ("Remarkable") completed in June 2009. Attributable turnover of Remarkable amounted to HK\$8.7 million (six months period ended 30 June 2008: HK\$21.6 million) for the current period with a reported loss of HK\$37.1 million (six months period ended 30 June 2008: HK\$35.1 million). The Group recorded a gain on disposal of about HK\$206.9 million in the transaction. Details of the transaction contemplated under the agreement were disclosed in the circular to shareholders dated 18 May 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

#### *Jointly Controlled Entity – Copper wire*

The copper wire business was heavily affected by the global financial crisis. The significant contraction of demand led to the drop of sales by nearly 69% to HK\$198.1 million (six months period ended 30 June 2008: HK\$644.9 million) compared with the last corresponding period. Further, the current period copper inventories were purchased at the contractual commodity price that was much higher than the market price. Consequently, the Group shared a loss of approximately HK\$3.5 million compared with a profit of approximately HK\$16.0 million in 2008.

#### Other Investments

During the period under review, the Group disposed all 20,989,778 shares of Tianjin Printronics Circuit Corporation (“TPC”) which shares are listed on Shenzhen Stock Exchange. The gain on disposal of TPC shares was approximately HK\$34.3 million. Further, the Group also disposed a portion of held for trading investments during the recent rebound from the Hong Kong stock market and recognised a gain of approximately HK\$9.0 million.

#### Prospect

With the disposal of various non-core operations in the first half of 2009, the Group has achieved a clear positioning for its three main businesses development in the future, including the continuous development of digital television business operation in the Guangdong Province area in collaboration with Guangdong Southern Yinshi Network Media Company Limited, and the establishment of income streams from digital television technology solutions and network equipment, so as to establish the digital television business as our principal business for continuous development.

Sales revenue of digital television set-top box for the period was affected by global economic downturn and recorded a significant decline. The Group has already expedited the expansion of its sales team and devoted more internal resources in this respect for the development of domestic and foreign set-top box market. Besides, the Group had also successfully transformed its manufacturing plant in Dongguan into a processing facility for digital television equipment. The Group believes that the sales of digital television equipment will bring both revenue and profit contributions to the Group in tandem with the improvement of economic environment in the second half of the year.

Furthermore, with the aim of further enhancement of energy efficiency and strengthening environmental protection, China places great importance on energy conservation and emission reduction. To capitalize on new opportunities, our intelligent system business is actively developing the market of professional energy saving products. And in view of the high energy consumption level of mobile communications base station and motor rooms, the Group is also providing a series of energy saving products, solutions and complementary value-added services and has submitted relevant applications to government authorities for approval. The Group believes that this new energy saving business will bring attractive returns to the Company in the future.

**MANAGEMENT DISCUSSION AND ANALYSIS (continued)****Financial Resources and Liquidity**

The financial leverage of the Group as at 30 June 2009, as compared to 31 December 2008 is summarized below:

	<b>As at</b>	
	<b>30 June 2009 HK\$'000</b>	31 December 2008 HK\$'000
Total Debt		
– from banks	<b>422,114</b>	287,218
– from a related company	–	20,038
– from finance leases	<b>187</b>	17,808
– from convertible loan notes	<b>374,300</b>	319,656
Sub-total	<b>796,601</b>	644,720
Cash and bank deposits	<b>402,280</b>	155,979
Net debt	<b>394,321</b>	488,741
Total capital (Equity and total debt)	<b>2,060,296</b>	1,656,925
Total assets	<b>2,427,585</b>	2,020,670
Financial leverage		
– net debt to total capital	<b>19.1%</b>	29.5%
– net debt to total assets	<b>16.2%</b>	24.2%

**Financing Activities**

In order to further investing in the Digital Television Business, the Group, through a wholly owned subsidiary in the PRC, obtained an eight-year term loan facility of RMB 400 million and drew an amount of RMB 250 million in June 2009. Such facility entails floating rate of five-year benchmark interest rate of Chinese Central Bank. In addition, the Group successfully issued the principal amount of US\$15 million zero coupon convertible bond due on 2014 in June 2009. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 13 May 2009.

**Foreign Exchange Exposure**

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, RMB and United States dollars. The operation results of the Group might be affected by the volatility of RMB. The Group will review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 30 June 2009, there were no derivative financial instruments employed during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Capital Structure

In April 2009, the Company successfully raised an amount of approximately HK\$92.0 million by placing 230,000,000 new ordinary shares of the Company to a third party at a subscription price of HK\$0.4 per ordinary share. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 27 April 2009.

During the period under review, a total of 1,714,000 ordinary shares of the Company was allotted and issued as a result of the exercise of share options. Therefore, the issued share capital of the Company increased to approximately HK\$535.5 million (31 December 2008: approximately HK\$477.6 million), represented by approximately 2,142.1 million ordinary shares as at 30 June 2009 (31 December 2008: approximately 1,910.4 million ordinary shares). Details of movement in the issued ordinary share capital and share options are set out in notes 21 and 23 to the condensed consolidated financial statements respectively.

### Material Acquisition, Disposals and Significant Investment

Other than those disclosed in the paragraph of Business Review above, the Group had no other material acquisition, disposal and significant investment during the six months period ended 30 June 2009.

### Contingent Liabilities

Save as disclosed in notes 22 and 26 to the condensed consolidated financial statements about contingent liabilities and litigation respectively, the Group had no other material contingent liabilities and litigation as at 30 June 2009.

### Employees and Remuneration Policies

The Group has a total of approximately 1,304 employees at 30 June 2009.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates.

The remuneration packages of the employees include salary, discretionary bonuses, pension schemes, medical subsidies and share options as part of their staff benefits.

### Disposal of a Jointly Controlled Entity after 30 June 2009

On 31 July 2009, the Group completed the disposal of its 50% equity interest in a jointly controlled entity to the remaining shareholder for a consideration of about HK\$152.0 million. Details of the transaction contemplated under the agreement were disclosed in the circular to shareholders dated 8 July 2009.



## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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

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

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

The Directors of the Company who held office at 30 June 2009 had the following interests in the shares and underlying shares of the Company as at 30 June 2009 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30.06.2009
		Interests in shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	15,438,000	26,826,000	42,264,000	1.97%
Chau Chit	Beneficial owner and interests of a controlled corporation	316,598,000	10,000,000	326,598,000	15.24%
Mung Kin Keung	Beneficial owner and interests of controlled corporations	101,888,000	-	101,888,000	4.75%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	23,439,810	43,439,810	2.02%
Chen Jang Fung	Beneficial owner	-	3,514,000	3,514,000	0.16%
Chan Wah Tip, Michael	Beneficial owner	-	3,914,000	3,914,000	0.18%
Lee Fook Sun	Beneficial owner	-	1,800,000	1,800,000	0.08%
Kan Lai Kuen, Alice	Beneficial owner	-	3,514,000	3,514,000	0.16%
Wong Kun Kim	Beneficial owner	-	3,514,000	3,514,000	0.16%
Leung Kai Cheung	Beneficial owner	1,714,000	1,800,000	3,514,000	0.16%

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

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

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

Save as disclosed above, as at 30 June 2009, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2009.

## **INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO**

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As at 30 June 2009, according to the register kept by the Company under Section 336 of the SFO (the "Register"), the following companies and persons had long positions of 5% or more in the shares and underlying shares of the Company ("Notifiable Interest") which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

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

### Long positions in the shares and underlying shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30.06.2009	Note(s)
		Interests in shares	Interests under equity derivatives	Total interests		
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	430,991,098	–	430,991,098	20.11%	1
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	–	231,515,151	10.80%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	–	170,044,069	7.93%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	50,000,000*	174,069,394	8.12%	2, 3
Max Same Investment Limited ("Max Same")	Beneficial owner	107,654,173	–	107,654,173	5.02%	2
Li Ka-shing ("Mr. Li")	Interests of controlled corporations, founder of discretionary trusts	124,069,394	200,000,000*	324,069,394	15.12%	3, 4
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	50,000,000*	174,069,394	8.12%	3
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	50,000,000*	174,069,394	8.12%	3
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	50,000,000*	174,069,394	8.12%	3
Mayspin Management Limited ("Mayspin")	Interests of a controlled corporation	–	150,000,000*	150,000,000	7.00%	4

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

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

Name of shareholder	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30.06.2009	Note(s)
		Interests in shares	Interests under equity derivatives	Total interests		
Sicilia Holdings Limited ("Sicilia")	Beneficial owner	–	150,000,000*	150,000,000	7.00%	4
Chau Chit ("Mr. Chau")	Interests of a controlled corporation	301,160,000	–	301,160,000	14.05%	5
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	–	301,160,000	14.05%	5
Temasek Holdings (Private) Limited ("Temasek")	Interests of controlled corporations	133,523,480	–	133,523,480	6.23%	6
Singapore Technologies Engineering Ltd ("ST Engineering")	Interests of a controlled corporation	133,523,480	–	133,523,480	6.23%	6
Singapore Technologies Electronics Limited ("ST Electronics")	Beneficial owner	133,523,480	–	133,523,480	6.23%	6
Argepa Participations S.A.	Interests of controlled corporations	80,000,000	150,000,000*	230,000,000	10.73%	7
Zygmunt Zaleski Stichting ("ZZS")	Interests of controlled corporations	80,000,000	150,000,000*	230,000,000	10.73%	7
Carlo Tassara S.p.A. ("CT S.p.A.")	Interests of controlled corporations	80,000,000	150,000,000*	230,000,000	10.73%	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			Total interests as to % to the issued share capital of the Company as at 30.06.2009	Note(s)
		Interests		Total interests		
		Interests in shares	under equity derivatives			
Expert China Investments Limited	Beneficial owner	230,000,000	-	230,000,000	10.73%	
Templeton Asset Management Ltd.	Investment manager	-	193,750,000 <sup>#</sup>	193,750,000	9.04%	

\* 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.

# The relevant interests are zero coupon convertible bonds due 2014 in the principal amount of US\$15,000,000 issued by the Company pursuant to the subscription agreement dated 13 May 2009. Upon full conversion of the convertible bonds at the initial conversion price of HK\$0.60 per share (subject to adjustment), a total of 193,750,000 conversion shares of the Company will be allotted and issued.

#### Notes:

1. Shougang Holding indicated in its disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 19 May 2009, 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.

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

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

2. Cheung Kong indicated in its disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 19 May 2009, 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.

4. Mr. Li indicated in his disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 19 May 2009, his interests included the interests held by Mayspin which was wholly-owned by Mr. Li.

Mayspin indicated in its disclosure form dated 8 April 2008 (being the latest disclosure form filed up to 30 June 2009) 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 26 June 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 24 June 2009, 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.

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

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

6. Temasek indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2009) that as at 4 March 2008, its interests included 133,523,480 shares of the Company held by ST Engineering which was controlled by Temasek as to 50.77%.

ST Engineering indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2009) 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 21 May 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 19 May 2009, 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 40.99%.

ZZS indicated in its disclosure form dated 21 May 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 19 May 2009, 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 46.09%.

CT S.p.A. indicated in its disclosure form dated 21 May 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 19 May 2009, 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, as at 30 June 2009, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position of 5% or more in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTIONS

### (a) Share options of the Company

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was granted or cancelled in accordance with the terms of the Scheme during the six months ended 30 June 2009. Details of movements in the share options under the Scheme during the period are as follows:

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



## SHARE OPTIONS (continued)

## (a) Share options of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company						Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period <sup>1</sup>	Lapsed during the period	At the end of the period			
Directors of the Company (continued)	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
	423,810	-	-	-	-	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
	23,439,810	-	-	-	-	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
	3,514,000	-	-	-	-	3,514,000			
Chan Wah Tip, Michael	400,000	-	-	-	-	400,000	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580
	1,714,000	-	-	-	-	1,714,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406
	1,800,000	-	-	-	-	1,800,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
	3,914,000	-	-	-	-	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			

## SHARE OPTIONS (continued)

## (a) Share options of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company						Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period <sup>1</sup>	Lapsed during the period	At the end of the period			
<b>Directors of the Company (continued)</b>									
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
	3,514,000	-	-	-	-	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
	3,514,000	-	-	-	-	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
	3,514,000	-	-	(1,714,000)	-	1,800,000			
	88,043,810	-	-	(1,714,000)	(8,008,000)	78,321,810			

## SHARE OPTIONS (continued)

## (a) Share options of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company						Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period <sup>1</sup>	Lapsed during the period	At the end of the period			
Employees of the Group	2,000	-	-	-	(2,000) <sup>3</sup>	-	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	4,000,000	-	-	-	-	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	5,292,000	(5,292,000) <sup>4</sup>	-	-	-	-	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	99,000,000	(5,000,000) <sup>4</sup>	-	-	(4,500,000) <sup>3</sup>	89,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	108,294,000	(10,292,000)	-	-	(4,502,000)	93,500,000			
Other participants	32,104,000	-	-	-	-	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
	11,982,000	-	-	-	-	11,982,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	-	-	5,292,000 <sup>1</sup>	-	-	5,292,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	8,000,000	-	5,000,000 <sup>4</sup>	-	-	13,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	66,155,000	-	10,292,000	-	-	76,447,000			
262,492,810	(10,292,000)	10,292,000	(1,714,000)	(12,510,000)	248,266,810				

## SHARE OPTIONS (continued)

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### (a) Share options of the Company (continued)

Notes:

1. The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$0.54 per share.
2. The share options were held by Mr. Tzu San Te who resigned as a Director of the Company during the period and such share options were lapsed on 17 April 2009.
3. The share options were held by two grantees who ceased to be employees of the Group during the period and such share options were lapsed on 1 January 2009 and 1 May 2009 respectively.
4. The share options were held by a grantee who ceased to be an employee of the Group during the period and the Board approved the extension of the exercise period for such share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Employees of the Group" to "Other participants" during the period.

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

Remarkable Mask Technology Company Limited ("Remarkable"), previously a wholly-owned subsidiary of the Company, adopted a share option scheme (the "Remarkable Scheme") on 8 June 2004. No share option to subscribe for shares of Remarkable has ever been granted under the Remarkable Scheme. Pursuant to the sale and purchase agreement dated 27 April 2009 entered into between Ready Shine Industrial Limited ("Ready Shine"), a wholly-owned subsidiary of the Company, and Sunrich Investment Limited ("Sunrich"), Ready Shine agreed to sell the entire issued share capital of Remarkable to Sunrich (the "Disposal"). The Disposal was completed on 11 June 2009. Since then, Remarkable ceased to be a subsidiary of the Company.

## AUDIT COMMITTEE

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The Company has engaged the Auditor to assist the Audit Committee to review the 2009 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 3 September 2009 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2009.

### **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

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The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2009.

### **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2009.

### **DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

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The following is the change of director's information, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. James Alan Chiddix, a Non-executive Director of the Company, joined the board of Arris Group, Inc., a company listed in The Nasdaq Stock Exchange in the U.S.A., in June 2009.

### **APPRECIATION**

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

By Order of the Board  
**Cao Zhong**  
*Chairman*

Hong Kong, 7 September 2009