

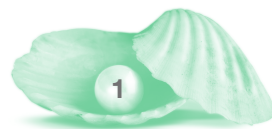
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 THE VALUE  
INTERIM REPORT 2010



**SHOUGANG CONCORD TECHNOLOGY  
HOLDINGS LIMITED**

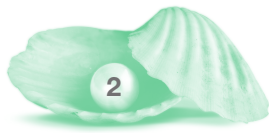
Stock Code : 521



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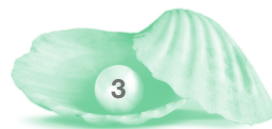
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## CORPORATE INFORMATION

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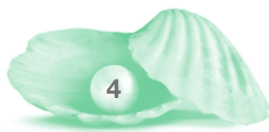
<b>Board of Directors</b>	Li Shaofeng ( <i>Chairman</i> ) Mung Kin Keung ( <i>Vice Chairman</i> ) Chau Chit ( <i>Managing Director</i> ) Leung Shun Sang, Tony ( <i>Non-executive Director</i> ) Chan Wah Tip, Michael ( <i>Non-executive Director</i> ) Lee Fook Sun ( <i>Non-executive Director</i> ) Wong Kun Kim ( <i>Independent Non-executive Director</i> ) Leung Kai Cheung ( <i>Independent Non-executive Director</i> ) Wong Wai Kwan ( <i>Independent Non-executive Director</i> )
<b>Executive Committee</b>	Chau Chit ( <i>Chairman</i> ) Li Shaofeng Mung Kin Keung
<b>Audit Committee</b>	Wong Kun Kim ( <i>Chairman</i> ) Chan Wah Tip, Michael Leung Kai Cheung Wong Wai Kwan
<b>Nomination Committee</b>	Mung Kin Keung ( <i>Chairman</i> ) Leung Shun Sang, Tony ( <i>Vice Chairman</i> ) Wong Kun Kim Leung Kai Cheung Wong Wai Kwan
<b>Remuneration Committee</b>	Leung Shun Sang, Tony ( <i>Chairman</i> ) Mung Kin Keung ( <i>Vice Chairman</i> ) Wong Kun Kim Leung Kai Cheung Wong Wai Kwan



## CORPORATE INFORMATION (continued)

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<b>Investment Committee</b>	Mung Kin Keung ( <i>Chairman</i> ) Li Shaofeng Chau Chit 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>	Unit 2102, 21st Floor Tower II, Admiralty Centre No. 18 Harcourt Road Hong Kong
<b>Stock Code</b>	521
<b>Website</b>	<a href="http://www.shougang-tech.com.hk">www.shougang-tech.com.hk</a>



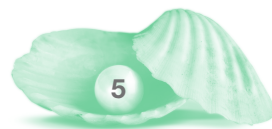
## INTERIM RESULTS

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 2010. 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 2010

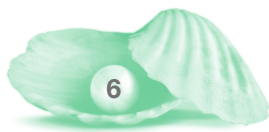
		<b>Six months ended 30 June</b>	
	<i>NOTES</i>	<b>2010 HK\$'000 (unaudited)</b>	<b>2009 HK\$'000 (unaudited) (restated)</b>
<b>Continuing operations</b>			
Revenue	3	<b>196,017</b>	147,626
Cost of sales		<b>(122,253)</b>	(89,218)
Gross profit		<b>73,764</b>	58,408
Other income, gains and losses		<b>(2,370)</b>	9,023
(Decrease) increase in fair value of held-for-trading investments		<b>(2,698)</b>	13,859
Gain on disposal of available-for-sale investments		<b>83</b>	34,295
Selling and distribution costs		<b>(3,983)</b>	(4,858)
Administrative expenses		<b>(44,800)</b>	(25,805)
Gain on disposal of a subsidiary	4	<b>121</b>	1,903
Gain on partial disposal of an associate		<b>150</b>	-
Gain on fair value change of the derivative components of convertible loan notes		<b>38,389</b>	7,207
Share of profit (loss) of associates		<b>1,271</b>	(1,025)
Share of loss of jointly controlled entities		<b>-</b>	(3,541)
Finance costs	5	<b>(41,840)</b>	(25,579)
Profit before tax		<b>18,087</b>	63,887
Income tax credit	6	<b>1,257</b>	2,540
Profit for the period from continuing operations		<b>19,344</b>	66,427
<b>Discontinued operations</b>			
(Loss) profit for the period from discontinued operations	7	<b>(13,594)</b>	142,456
Profit for the period	8	<b>5,750</b>	208,883



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(continued)**

FOR THE SIX MONTHS ENDED 30 JUNE 2010

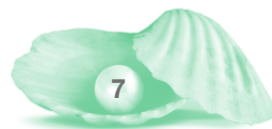
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Other comprehensive income</b>		
Exchange difference on translation		
Share of translation difference		
of associates	<b>162</b>	27
Exchange difference arising		
during the period	<b>553</b>	597
Reclassification adjustment upon		
partial disposal of an associate	<b>(32)</b>	–
Available-for-sale investments		
Share of revaluation of available-for-sale		
investments held by associates	<b>5,307</b>	–
Reclassification adjustment upon		
partial disposal of an associate	<b>(1,024)</b>	–
Reclassification adjustment on sale		
of available-for-sale investments	–	(64,500)
Fair value gain on available-for-sale		
investments	–	16,176
	<hr/>	<hr/>
Other comprehensive income		
(expense) for the period (net of tax)	<b>4,966</b>	(47,700)
	<hr/>	<hr/>
Total comprehensive income for		
the period	<b>10,716</b>	161,183
	<hr/> <hr/>	<hr/> <hr/>



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(continued)**

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		<b>Six months ended 30 June</b>	
	<i>NOTE</i>	<b>2010 HK\$'000 (unaudited)</b>	2009 HK\$'000 (unaudited) (restated)
Profit for the period attributable to:			
Owners of the Company		<b>4,762</b>	208,297
Non-controlling interests		<b>988</b>	586
		<b>5,750</b>	208,883
Total comprehensive income attributable to:			
Owners of the Company		<b>9,597</b>	160,945
Non-controlling interests		<b>1,119</b>	238
		<b>10,716</b>	161,183
<b>Earnings (loss) per share</b>			
<i>From continuing and discontinued operations</i>			
Basic	10	<b>HK0.22 cents</b>	HK10.17 cents
Diluted		<b>HK(0.33) cents</b>	HK8.92 cents
<i>From continuing operations</i>			
Basic		<b>HK0.86 cents</b>	HK3.24 cents
Diluted		<b>HK0.17 cents</b>	HK3.06 cents

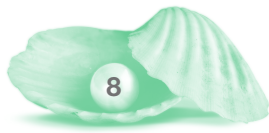


## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (restated)
<b>NON-CURRENT ASSETS</b>			
Investment properties	11	39,192	40,900
Property, plant and equipment	11	102,774	97,145
Prepaid lease payments		2,494	2,536
Goodwill	12	193,110	193,110
Intangible assets	13	114,794	120,201
Deposits paid for acquisition of equipment	14	614,757	353,870
Deposit paid for acquisition of a property	15	39,900	–
Investments in associates		90,070	86,788
Available-for-sale investments		22,129	16,849
Club debentures		700	700
Deferred tax assets		4,468	4,429
Other receivable	7	30,250	31,298
		<b>1,254,638</b>	<b>947,826</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments		84	84
Inventories		70,274	63,289
Trade and bills receivables	16(a)	155,762	291,120
Prepayments, deposits and other receivables	16(b)	391,624	620,390
Held-for-trading investments		11,233	4,826
Amounts due from customers for contract work	17	321,959	336,046
Advance to associates	18	26,981	–
Tax recoverable		1,726	1,720
Pledged bank deposits		60,198	13,123
Bank balances and cash		270,105	408,475
		<b>1,309,946</b>	<b>1,739,073</b>

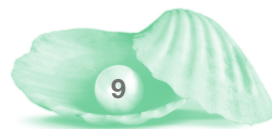




**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(continued)**

AT 30 JUNE 2010

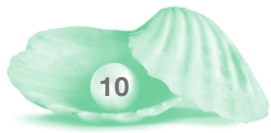
	NOTES	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (restated)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	19	<b>137,669</b>	243,194
Other payables, deposits received and accruals		<b>61,681</b>	97,873
Provision		<b>29,801</b>	40,162
Amounts due to customers for contract work	17	<b>41,371</b>	28,847
Amount due to an associate		–	643
Tax liabilities		<b>4,340</b>	11,496
Bank borrowings – due within one year	20	<b>196,983</b>	130,256
Convertible loan notes	21	<b>416,597</b>	–
Embedded derivative components of convertible loan notes	21	<b>34,634</b>	–
		<b>923,076</b>	552,471
<b>NET CURRENT ASSETS</b>			
		<b>386,870</b>	1,186,602
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,641,508</b>	2,134,428
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year	20	<b>361,837</b>	396,411
Convertible loan notes	21	–	395,025
Embedded derivative components of convertible loan notes	21	–	72,829
Deferred tax liabilities		<b>4,434</b>	6,782
		<b>366,271</b>	871,047
<b>NET ASSETS</b>			
		<b>1,275,237</b>	1,263,381
<b>CAPITAL AND RESERVES</b>			
Share capital	22	<b>535,535</b>	535,535
Reserves		<b>693,015</b>	683,418
Equity attributable to owners of the Company		<b>1,228,550</b>	1,218,953
Non-controlling interests		<b>46,687</b>	44,428
<b>TOTAL EQUITY</b>			
		<b>1,275,237</b>	1,263,381



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company											Attributable to non-controlling interests	Total	
	Share capital	Share premium	Capital redemption reserve	Property revaluation reserve	Other reserves	Translation reserve	Capital reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Convertible loan notes equity reserve			Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	566	208,863
Share of translation difference of associates	-	-	-	-	-	27	-	-	-	-	-	27	-	27
Exchange difference arising during the period	-	-	-	-	-	945	-	-	-	-	-	945	(348)	597
Fair value gain on available-for-sale investments	-	-	-	-	-	-	-	16,176	-	-	-	16,176	-	16,176
Reclassification adjustment on sale of available-for-sale investments	-	-	-	-	-	-	(64,500)	-	-	-	-	(64,500)	-	(64,500)
Total comprehensive income (expense) for the period	-	-	-	-	-	972	(48,324)	-	-	208,297	-	160,945	238	161,183
Shares issued at premium	57,500	34,500	-	-	-	-	-	-	-	-	-	92,000	-	92,000
Exercise of share options	428	288	-	-	-	-	-	(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
At 1 January 2010 (audited)	535,535	644,864	2,084	6,048	360	42,806	53,690	15,417	31,459	(182,077)	68,767	1,218,953	44,428	1,263,381
Profit for the period	-	-	-	-	-	-	-	-	-	4,762	-	4,762	988	5,750
Share of translation difference of associates	-	-	-	-	-	162	-	-	-	-	-	162	-	162
Exchange difference arising during the period	-	-	-	-	-	422	-	-	-	-	-	422	131	553
Share of revaluation of available-for-sale investments held by associates	-	-	-	-	-	-	-	5,307	-	-	-	5,307	-	5,307
Reclassification adjustment upon partial disposal of an associate	-	-	-	-	-	(32)	-	(1,024)	-	-	-	(1,056)	-	(1,056)
Total comprehensive income for the period	-	-	-	-	-	552	-	4,283	-	4,762	-	9,597	1,119	10,716
Lapse of share options	-	-	-	-	-	-	-	-	(908)	908	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,140	1,140
At 30 June 2010 (unaudited)	535,535	644,864	2,084	6,048	360	43,358	53,690	19,700	30,551	(176,407)	68,767	1,228,550	46,687	1,275,237



## **CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** **(continued)**

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*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

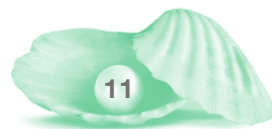
*Notes:*

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

Certain subsidiaries operating in the People's Republic of China (the "PRC") are required to transfer 5% of the profit after tax (as determined under the management of the relevant subsidiaries and in accordance with PRC Generally Accepted Accounting Principles) to the surplus reserve fund until the fund balance reaches 50% of the registered capital of those subsidiaries thereafter any further appropriation is optional and is determinable by the companies' boards of directors. The reserve fund can be used to offset accumulated losses, expand the existing operations or convert into additional capital of the subsidiaries. No such transfer was made during both periods.

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

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June	
NOTES	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	
	<b>63,243</b>	(16,436)	
NET CASH FROM (USED IN) OPERATING ACTIVITIES			
INVESTING ACTIVITIES			
Net cash outflow on disposal of subsidiaries	4 & 7(b) <b>(6)</b>	(5,048)	
Consideration received from disposal of subsidiaries in prior year	<b>115,298</b>	–	
Consideration received from disposal of a jointly controlled entity in prior year	<b>38,000</b>	–	
Proceeds from partial disposal of an associate	<b>2,599</b>	–	
Proceeds from disposal of an investment property	<b>2,026</b>	–	
Proceeds from disposal of available-for-sale investments	<b>653</b>	102,192	
Purchase of intangible assets	<b>(809)</b>	(4,017)	
Increase in deposits paid for acquisition of equipment	14 <b>(257,755)</b>	(127,627)	
Increase in pledged bank deposits	<b>(47,075)</b>	–	
Increase in deposit paid for acquisition of a property	15 <b>(39,900)</b>	–	
Advance to associates	<b>(26,981)</b>	–	
Purchase of property, plant and equipment	<b>(11,386)</b>	(1,815)	
Purchase of available-for-sale investments	<b>(5,700)</b>	–	
Acquisition of additional interest in a subsidiary	–	(1,079)	
Purchase of club debentures	–	(180)	
Other investing activities	<b>950</b>	7,958	
	<b>(230,086)</b>	(29,616)	
NET CASH USED IN INVESTING ACTIVITIES			



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
FINANCING ACTIVITIES		
New bank loans raised	134,319	362,265
Capital contribution from non-controlling interests	1,140	–
Repayment of bank loans	(104,028)	(217,526)
Repayment of trust receipts loans	(2,805)	(9,844)
Proceeds from issue of convertible loan notes	–	116,250
Proceeds from issue of shares	–	92,000
Exercise of share options	–	696
Repayment of loan from a related company	–	(20,038)
Repayment of obligations under finance leases	–	(17,621)
Interest expenses paid	–	(13,699)
NET CASH FROM FINANCING ACTIVITIES	28,626	292,483
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(138,217)	246,431
CASH AND CASH EQUIVALENTS AT 1 JANUARY	408,475	155,979
Effect of foreign exchange rate changes	(153)	(130)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	270,105	402,280



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the investments 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 2009, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.



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

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

Regarding the disposal of a wholly-owned subsidiary as disclosed in note 4(a) and partial disposal of an associate during the current period, the application of HKAS 27 (Revised) and consequential amendment to HKAS 28 had no effect on the condensed consolidated financial statements of the Group for current or prior accounting periods. As there was no transaction during the current interim period in which HKFRS 3 (Revised) are applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs resulting from issue of HKFRS 3 (Revised) and HKAS 27 (Revised) had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

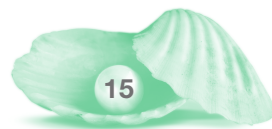
Except as described below, the application of the other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

#### **Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

The amendment to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued in 2009 as part of the Improvements to HKFRSs clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

#### **Amendment to HKAS 17 Leases**

As part of Improvements to HKFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.



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

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 2. PRINCIPAL ACCOUNTING POLICIES (continued) Amendment to HKAS 17 Leases (continued)

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with a previous carrying amount of approximately HK\$5,500,000 and HK\$5,214,000 at 1 January 2009 and 31 December 2009 to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment increased from approximately HK\$226,324,000 and approximately HK\$91,931,000 at 1 January 2009 and 31 December 2009 to approximately HK\$231,824,000 and approximately HK\$97,145,000 respectively.

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

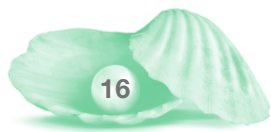
### 3. SEGMENT INFORMATION

The Group's operating segments relating to continuing operations identified based on information reported to the chief operating decision maker, an executive director of the Group, for the purposes of resource allocation and performance assessment are as follows:

- Digital television ("DTV") technical solutions and equipment business – Manufacture and sales of DTV equipments and provision of DTV technical services.
- 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.

The traditional business and the photomask business operations were discontinued in June 2010 and June 2009, respectively. Details are disclosed in note 7. As a result, the comparative figures of segment information for the period ended 30 June 2009 have been restated. Principal activities of traditional business are manufacturing and distribution of telephone accessories, power cords and adaptors.





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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

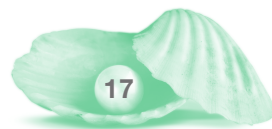
### 3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating segment relating to continuing operations for the periods under review:

#### Six months ended 30 June 2010 (unaudited)

##### Continuing operations

	Digital technical solutions and equipment business HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Intelligent information business HK\$'000	Others HK\$'000	Total HK\$'000
SEGMENT REVENUE						
External sales	49,943	600	10,357	135,020	97	196,017
Segment profit (loss)	29,212	(303)	(1,544)	9,192	(15,091)	21,466
Unallocated income						4,920
Unallocated expense						(3,775)
Decrease in fair value of held- for-trading investments						(2,698)
Gain on fair value change of the derivative components of convertible loan notes						38,389
Gain on disposal of available- for-sales investments						83
Gain on disposal of a subsidiary						121
Gain on partial disposal of an associate						150
Share of profit of associates						1,271
Finance costs						(41,840)
Profit before tax (Continuing Operations)						18,087



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 3. SEGMENT INFORMATION (continued) Six months ended 30 June 2009 (unaudited)

#### Continuing operations

	Digital technical solutions and equipment business HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Intelligent information business HK\$'000	Others HK\$'000	Total HK\$'000
SEGMENT REVENUE						
External sales	57,681	510	9,694	79,666	75	147,626
Inter-segment sales	2,316	-	-	-	-	2,316
	59,997	510	9,694	79,666	75	149,942
Eliminations	(2,316)	-	-	-	-	(2,316)
Group's revenue	57,681	510	9,694	79,666	75	147,626
Segment profit (loss)	33,948	538	1,217	9,517	(9,951)	35,269
Unallocated income						5,442
Unallocated expense						(3,943)
Increase in fair value of held- for-trading investments						13,859
Gain on fair value change of the derivative components of convertible loan notes						7,207
Gain on disposal of available- for-sale investments						34,295
Gain on disposal of a subsidiary						1,903
Share of loss of associates						(1,025)
Share of loss of jointly controlled entities						(3,541)
Finance costs						(25,579)
Profit before tax (Continuing Operations)						63,887



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 3. SEGMENT INFORMATION (continued)

All of the segment revenue reported for the period ended 30 June 2010 is from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of decrease (increase) in fair value of held-for-trading investments, gain on fair value change of the derivative components of convertible loan notes, gain on disposal of available-for-sale investments, gain on disposal of a subsidiary, gain on partial disposal of an associate, share of profit (loss) of associates, share of loss of jointly controlled entities, unallocated income and expense, finance costs and income tax. This is the measure reported to the chief operating decision maker, the executive director of the Group, for the purposes of resource allocation and performance assessment.

### 4. DISPOSAL OF A SUBSIDIARY

- (a) During the period ended 30 June 2010, a subsidiary of the Company disposed its entire equity interest in a wholly owned inactive subsidiary, 廣州市銀視信息諮詢有限公司 (“廣州銀視諮詢”), to an independent third party at a deferred cash consideration (included in other receivables) of RMB5,000,000 (equivalent to approximately HK\$5,692,000). The disposal was completed on 7 April 2010 (“Completion Date”), on which date the Group passed the control of 廣州銀視諮詢 to the purchaser. The consideration is expected to be settled in cash by the purchaser within 12 months from the Completion Date.

The disposal has resulted in a gain of approximately RMB106,000 (equivalent to approximately HK\$121,000). The assets held by the subsidiary prior to the disposal included mainly other receivables of approximately RMB4,913,000 (equivalent to approximately HK\$5,600,000) and bank balances and cash of approximately RMB5,200 (equivalent to approximately HK\$6,000).

- (b) On 4 May 2009, a subsidiary of the Company entered into an agreement to dispose its entire 60% equity interest in a subsidiary, Dorup Limited (“Dorup”), which engaged in 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, 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 disposed of was approximately HK\$7,509,000. Transaction costs paid on disposal amounted to HK\$98,000.

The disposal was satisfied partly by cash consideration of approximately HK\$5,976,000 and the remaining consideration has been accounted for as a deferred cash consideration (included in other receivable) of approximately HK\$6,464,000 as at 30 June 2009. The balance has been fully settled during the current period.



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

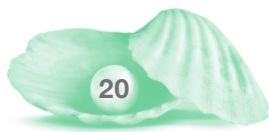
FOR THE SIX MONTHS ENDED 30 JUNE 2010

**5. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Interest on:		
Convertible loan notes ( <i>note 21</i> )	<b>27,028</b>	19,208
Bank borrowings wholly repayable within five years	<b>14,812</b>	6,164
Amount due to a related company	–	207
	<b>41,840</b>	25,579

**6. INCOME TAX CREDIT**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Current tax:		
Hong Kong	–	–
Other regions in the PRC	<b>1,090</b>	1,148
	<b>1,090</b>	1,148
Underprovision in prior year:		
Hong Kong	–	28
Other regions in the PRC	–	398
	–	426
Deferred tax	<b>(2,347)</b>	(4,114)
Income tax credit relating to continuing operations	<b>(1,257)</b>	(2,540)



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 6. INCOME TAX CREDIT (continued)

The income tax credit is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 15% for the period under review. The relevant tax rates for the Group's subsidiaries ranged from 15% to 25% for the six months ended 30 June 2010 and 2009.

### 7. DISCONTINUED OPERATIONS

The (loss) profit from the discontinued operations is analysed as follows:

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Loss for the period relating to traditional business	(13,594)	(27,352)
Profit for the period relating to photomask business	—	169,808
(Loss) profit for the period relating to discontinued operations	<u>(13,594)</u>	<u>142,456</u>
(Loss) profit for the period relating to discontinued operations attributable to:		
Owners of the Company	(13,588)	141,989
Non-controlling interests	(6)	467
	<u>(13,594)</u>	<u>142,456</u>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 7. DISCONTINUED OPERATIONS (continued)

- (a) In June 2010, the directors of the Company approved to cease the traditional business operation. Principal activities of traditional business are manufacturing and distribution of telephone accessories, power cords and adapters. The comparative figures have been restated to present the traditional business operation as discontinued operation for the period ended 30 June 2009.

The loss from the discontinued operation relating to traditional business for the period is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2010 HK\$'000 (unaudited)</b>	2009 HK\$'000 (unaudited)
Loss of discontinued operation for the period	<b>(13,594)</b>	<b>(27,352)</b>

The results of the traditional business operation for the period were as follows:

	<b>Six months ended 30 June</b>	
	<b>2010 HK\$'000 (unaudited)</b>	2009 HK\$'000 (unaudited)
Revenue	<b>209</b>	27,345
Cost of sales	<b>(17,072)</b>	(53,416)
Gross loss	<b>(16,863)</b>	(26,071)
Other income, gains and losses	<b>4,812</b>	6,440
Selling and distribution costs	<b>(27)</b>	(745)
Administrative expenses	<b>(1,306)</b>	(6,703)
Impairment loss recognised on trade receivables	<b>(208)</b>	-
Finance costs	<b>(2)</b>	(123)
	<b>(13,594)</b>	(27,202)
Income tax expense	<b>-</b>	(150)
Loss for the period	<b>(13,594)</b>	<b>(27,352)</b>

Cash flows for the period from discontinued operation relating to traditional business were as follows:

	<b>Six months ended 30 June</b>	
	<b>2010 HK\$'000 (unaudited)</b>	2009 HK\$'000 (unaudited)
Net cash outflows from operating activities	<b>(2,893)</b>	<b>(5,375)</b>





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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 7. DISCONTINUED OPERATIONS (continued)

(b) (continued)

Cash flows for the period from discontinued operation relating to photomask business were as follows:

	<b>Six months ended</b>
	<b>30 June 2009</b>
	<i>HK\$'000</i>
Net cash outflows from operating activities	(7,000)
Net cash inflows from investing activities	4,400
	<u>          </u>
Net cash outflows	<u><u>(2,600)</u></u>

The net assets of the discontinued operation relating to photomask business at the date of disposal were as follows:

	<b>11 June 2009</b>
	<i>HK\$'000</i>
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>          </u>
	62,752
Gain on disposal	<u>206,904</u>
	<u>          </u>
Total consideration	<u><u>269,656</u></u>
Satisfied by:	
Deferred cash consideration	319,914
Provision	(50,000)
Transaction costs incurred for the disposal	(258)
	<u>          </u>
	<u><u>269,656</u></u>
Net cash outflow arising on disposal:	
Bank balances and cash on disposal	(3,159)
Transaction costs paid on disposal	(258)
	<u>          </u>
	<u><u>(3,417)</u></u>





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

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 7. DISCONTINUED OPERATIONS (continued) (b) (continued)

At 30 June 2010, US\$14,700,000 (equivalent to approximately HK\$113,925,000), which represented the first two instalments receivables from the purchaser were fully settled in February 2010 and the purchaser has undertaken to settle the remaining instalments receivables in accordance with the revised repayment schedule as follows pursuant to an undertaking dated 24 August 2010 signed by the purchaser:

- 20% of the consideration, US\$8,400,000 (equivalent to HK\$65,436,000), will be payable by the purchaser on or before 30 November 2010 (31 December 2009: on or before 31 March 2010\*);
- 35% of the consideration, US\$14,700,000 (equivalent to HK\$114,513,000), will be payable by the purchaser on or before 31 March 2011 (31 December 2009: US\$4,200,000 (equivalent to HK\$32,550,000) will be payable on or before 30 June 2010 and US\$10,500,000 (equivalent to HK\$81,375,000) will be payable on or before 30 September 2010\*); and
- the balance of 10% of the consideration, equivalent to US\$4,200,000 (equivalent to HK\$32,718,000), will be payable by the purchaser on or before 30 October 2011 (31 December 2009: on or before 31 March 2011\*).

\* In accordance with the original repayment schedule stipulated in the sales and purchase agreement dated 27 April 2009.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

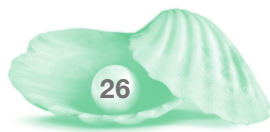
### 7. DISCONTINUED OPERATIONS (continued)

(b) (continued)

The fair value of the consideration at initial recognition amounted to approximately HK\$319,914,000, by using a discount rate of 4% by reference to the prevailing market borrowing rate. The deferred cash consideration is measured at amortised cost using the effective interest method. Upon the revision of repayment schedule, the carrying amount of the deferred consideration was adjusted downward, resulting in an impairment loss of approximately HK\$3,775,000 being charged to profit or loss in the current period (included in other income, gains and losses). The deferred consideration is included in other receivables, analysed as follows:

	30 June 2010		31 December 2009	
	US\$'000 (unaudited)	HK\$'000 (unaudited)	US\$'000 (audited)	HK\$'000 (audited)
Current asset	22,112	172,249	37,240	288,616
Non-current asset	3,883	30,250	4,038	31,298
	<u>25,995</u>	<u>202,499</u>	<u>41,278</u>	<u>319,914</u>

Management will closely monitor the repayment and make adequate impairment if considered necessary.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 8. PROFIT FOR THE PERIOD

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Continuing operations HK\$'000 (unaudited)	Discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Continuing operations HK\$'000 (unaudited)	Discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Profit for the period has been arrived at after (crediting) charging the following items:						
Revenue (note 3)	(196,017)	(209)	(196,226)	(147,626)	(36,032)	(183,658)
Cost of sales	122,253	17,072	139,325	89,218	70,240	159,458
Interest income from deposit paid for acquisition of a property	(1,662)	–	(1,662)	–	–	–
Interest income from bank deposits	(255)	–	(255)	(423)	(8)	(431)
Release of prepaid lease payments	11	31	42	11	44	55
Amortisation of intangible assets (included in administrative expense)	4,043	–	4,043	3,201	–	3,201
Depreciation of property, plant and equipment	4,180	1,645	5,825	5,044	26,412	31,456
<b>Total depreciation and amortisation</b>	<b>8,234</b>	<b>1,676</b>	<b>9,910</b>	<b>8,256</b>	<b>26,456</b>	<b>34,712</b>
Gain on disposal of available-for-sale investments	(83)	–	(83)	(34,295)	–	(34,295)
(Gain) loss on disposal of property, plant and equipment	(45)	–	(45)	3,855	–	3,855
Fair value changes on investment properties	(59)	–	(59)	–	–	–
Finance cost (note 5)	41,840	2	41,842	25,579	1,859	27,438
(Profit) loss before tax	(18,087)	13,594	(4,493)	(63,887)	(142,606)	(206,493)
Impairment loss recognised in respect of intangible assets	2,274	–	2,274	–	–	–
Impairment loss recognised in respect of other receivable (note 7(b))	3,775	–	3,775	–	–	–
Impairment loss recognised in respect of inventories	–	1,141	1,141	5,145	10,720	15,865
Recognition (reversal) of impairment loss recognised in respect of trade receivables (note a)	3,722	208	3,930	(6)	1,643	1,637
Reversal of impairment loss recognised in respect of amounts due from customers for contract works (note b)	(2,226)	–	(2,226)	(1,785)	–	(1,785)



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 8. PROFIT FOR THE PERIOD (continued)

*Note a:* The amount represents the impairment loss recognised on trade receivables which the directors considered the amounts are uncollectible.

*Note b:* The amount represents the reversal of impairment loss previously recognised on amounts due from customers for contract work which the directors considered further progress billing exceeds the carrying value of the corresponding contract costs incurred to date plus recognised profits less recognised losses.

### 9. DIVIDENDS

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

### 10. EARNINGS (LOSS) PER SHARE

#### From continuing and discontinued operations

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>(Loss) earnings</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<b>4,762</b>	208,297
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	<b>27,028</b>	19,208
Gain on fair value change of the derivative components of convertible loan notes	<b>(38,389)</b>	(7,207)
Deferred tax on convertible loan notes	<b>(2,347)</b>	(4,114)
	<hr/>	<hr/>
(Loss) earnings for the purposes of diluted (loss) earnings per share	<b>(8,946)</b>	216,184
	<hr/> <hr/>	<hr/> <hr/>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 10. EARNINGS (LOSS) PER SHARE (continued)

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

	Six months ended 30 June	
	2010 '000	2009 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,142,141</b>	2,047,913
Effect of dilutive potential ordinary shares:		
– share options	<b>5,030</b>	–
– convertible loan notes	<b>543,750</b>	376,761
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>2,690,921</b>	2,424,674

For the period ended 30 June 2010, the calculation of diluted loss per share assumes the exercise of the Company's outstanding share options since the exercise prices of these share options are lower than the average market prices of the Company's shares.

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



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

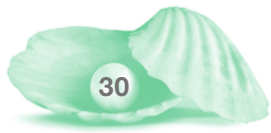
### 10. EARNINGS (LOSS) PER SHARE (continued)

#### From continuing operations

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Earnings figures are calculated as follows:		
Profit for the period attributable to the owners of the Company	<b>4,762</b>	208,297
Loss (profit) for the period from discontinued operations attributable to the owners of the Company	<b>13,588</b>	(141,989)
Earnings for the purpose of basic earnings per share from continuing operations attributable to the owners of the Company	<b>18,350</b>	66,308
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	<b>27,028</b>	19,208
Gain on fair value change of the derivative components of convertible loan notes	<b>(38,389)</b>	(7,207)
Deferred tax on convertible loan notes	<b>(2,347)</b>	(4,114)
Earnings for the purpose of diluted earnings per share from continuing operations	<b>4,642</b>	74,195

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



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

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 10. EARNINGS (LOSS) PER SHARE (continued) From discontinued operations

Basic loss per share from discontinued operations is HK0.64 cents per share (2009: basic earnings per share from discontinued operations is HK6.93 cents per share) and diluted loss per share from discontinued operations was HK1.01 cents per share (2009: diluted earnings per share from discontinued operations HK6.18 cents) based on the loss for the period from the discontinued operations attributable to the owners of the Company of approximately HK\$13,588,000 (profit for the six months ended 30 June 2009 from the discontinued operations attributable to the owners of the Company of approximately HK\$141,989,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

For the period ended 30 June 2010, the calculation of diluted loss per share assumes the exercise of the Company's outstanding share options since the exercise prices of these share options are lower than the average market prices of the Company's shares.

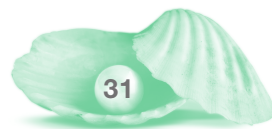
For the period ended 30 June 2009, the calculation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise prices of these share options are higher than the average market prices of the Company's shares.

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

The Group's investment properties were fair valued by the directors of the Company at 30 June 2010 while the fair values of the Group's investment properties at 31 December 2009 have been arrived at on the basis of a valuation carried out on that date by independent qualified professional valuers. The valuation performed by the directors and valuers of the Company was arrived by reference to recent market prices for similar properties in the same locations and conditions. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the current period.

During the period ended 30 June 2010, the Group spent HK\$11,386,000 (2009: HK\$1,815,000) to acquire property, plant and equipment in order to upgrade its manufacturing capabilities.

Included in property, plant and equipment as at 30 June 2010 are leasehold land and buildings with a carrying amount of approximately HK\$33,433,000 that are used for the discontinued traditional business operation. The leasehold land and building will be used for the digital technical solutions and equipment business operation and rental purpose subsequent to the period end. The directors determined that no impairment is necessary for this leasehold land and building as its recoverable amount is estimated to be higher than its carrying amount.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

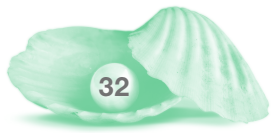
### 12. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to two 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 costs of goodwill as at 30 June 2010 and 31 December 2009 have been allocated to these units as follows:

	<i>HK\$'000</i>
Intelligent information business segment	
– Sino Stride Technology (Holdings) Limited ("SST") ( <i>note a</i> )	180,588
DTV technical solutions and equipment business segment	
– 廣州市易家通互通信息發展有限公司 Guangzhou Yijiatong Information Development Company Limited ("Yijiatong") ( <i>note b</i> )	12,522
	<u>193,110</u>

- (a) During the period ended 30 June 2010 and year ended 31 December 2009, management of the Group has determined that there is no impairment 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 amount 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 five-year period, and a discount rate of 13.36% (31 December 2009: 14.42%). Cash flows beyond the five-year period are extrapolated using a 3% (31 December 2009: 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 of SST and management's expectations for the market development.





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

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 12. GOODWILL (continued)

- (b) During the period ended 30 June 2010 and year ended 31 December 2009, management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of Yijiatong as the recoverable amount of Yijiatong (being the CGU to which the goodwill has been allocated) as calculated in the management's cash flow projections is in excess of the aggregate carrying amount of Yijiatong. The recoverable amount of CGU of Yijiatong has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by the management of the Group covering a five-year period, and a discount rate of 12% (31 December 2009: 12%). Cash flows beyond the five-year period are extrapolated using a 3% (31 December 2009: 3%) steady growth rate. 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 of Yijiatong and management's expectations for the market development.

### 13. MOVEMENT IN INTANGIBLE ASSETS

During the period ended 30 June 2010, the Group acquired intangible assets of approximately HK\$809,000 (2009: HK\$4,017,000). Amortisation charge for the six months ended 30 June 2010 was HK\$4,043,000 (2009: HK\$3,201,000). As at 30 June 2010, the intangible assets attributable to DTV technical solutions and equipment business amounted to approximately HK\$108 million (31 December 2009: HK\$111 million).

As no cash inflow was expected to be generated by an intangible asset related to development costs for certain intelligent information systems amounting to HK\$2,274,000, such intangible asset was fully impaired for the six months period ended 30 June 2010 (2009: Nil).

### 14. DEPOSITS PAID FOR ACQUISITION OF EQUIPMENT

The amounts represent deposit paid to a DTV operator in Guangdong Province for the acquisition of DTV equipment and other operating assets.

### 15. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY

The amount represents deposit paid to acquire a property in the PRC for owner occupation pursuant to an agreement entered into between the Group and an independent third party dated 11 February 2010. The deposit carries interest at 10% per annum. The acquisition has not been completed, pending for the issue of official premises permit of that property from a government body. The transfer is required to be completed within five years from 11 February 2010.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 16. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

#### (a) 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 one year. Each customer has a designated credit limit.

The following is an analysis of trade and bills receivables by age, presented based on the invoice date, and net of allowance for doubtful debts.

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
0 – 90 days	<b>82,999</b>	118,634
91 – 180 days	<b>46,960</b>	65,172
181 – 365 days	<b>13,683</b>	30,592
1 – 2 years	<b>11,387</b>	75,777
Over 2 years	<b>733</b>	945
	<b>155,762</b>	291,120

#### (b) Prepayments, deposits and other receivables

At 30 June 2010, the amounts mainly represented deferred consideration of HK\$172,249,000 (31 December 2009: HK\$290,104,000) arising from disposal of subsidiaries (note 4 and note 7(b)) and deferred consideration HK\$29,515,000 (31 December 2009: HK\$67,515,000) arising from disposal of a jointly controlled entity in 2009. In the opinion of the directors, the balances are expected to be realised in the next twelve months from the end of the reporting period. The remaining balance mainly represented advances to suppliers in relation to intelligent information business as well as prepaid expenses.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

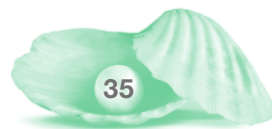
### 17. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	<b>1,521,016</b>	1,442,334
Less: Progress billings	<b>(1,240,428)</b>	(1,135,135)
	<b><u>280,588</u></b>	<u>307,199</u>
Analysed for reporting purposes of:		
Amounts due from contract customers	<b>321,959</b>	336,046
Amounts due to contract customers	<b>(41,371)</b>	(28,847)
	<b><u>280,588</u></b>	<u>307,199</u>

At 30 June 2010, retentions held by customers for contract works amounting to approximately HK\$64,070,000 (31 December 2009: HK\$58,130,000) were included in amounts due from customers for contract work. Advances received from customers for contract work before the commencement of the contract amounted to approximately HK\$7,283,000 (31 December 2009: HK\$3,657,000) were included in other payables, deposits received and accruals. In the opinion of the directors, the amounts are expected to be realised in the next twelve months from the end of the reporting period.

### 18. ADVANCE TO ASSOCIATES

During the current period, the Group advanced approximately HK\$26,981,000 to the associates. The amount is unsecured, non-interest bearing and non-trade in nature. The amount is expected to be realised in the next 12 months from the end of the reporting period.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

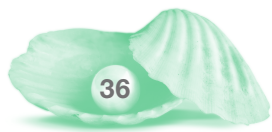
### 19. TRADE AND BILLS PAYABLES

The following is an analysis of trade and bills payables by ages, presented based on the invoice date.

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
0 – 90 days	<b>97,285</b>	176,395
91 – 180 days	<b>24,980</b>	26,468
181 – 365 days	<b>10,238</b>	13,144
1 – 2 years	<b>3,680</b>	24,013
Over 2 years	<b>1,486</b>	3,174
	<b>137,669</b>	243,194

### 20. BANK BORROWINGS

During the current period, the Group obtained new bank loans and trust receipt loan amounting to approximately HK\$134,319,000 (2009: HK\$362,265,000) and repaid HK\$106,833,000 (2009: HK\$227,370,000). The new loans were borrowed by group companies and certain of them were under financial guarantee provided by the Company to banks. The borrowings bear interest at market rates including Hong Kong Interbank Offer Rate plus 2% per annum and five-year benchmark interest of The People's Bank of China ranging from 2.10% to 6.53% (31 December 2009: 2.10% to 6.53%) per annum 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 2010

### 21. CONVERTIBLE LOAN NOTES

The movement of the liability component and the derivative components (including conversion option derivative, bondholders early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the period ended 30 June 2010 is as follows:

	<b>Liability component</b> <i>HK\$'000</i>	<b>Derivative components</b> <i>HK\$'000</i>
At 1 January 2010 (audited)	395,025	72,829
Interest charge	27,028	–
Interest paid	(5,728)	–
Exchange realignment	272	194
Gain arising on changes of fair value	–	(38,389)
	<u>416,597</u>	<u>34,634</u>
Carrying amount at 30 June 2010 (unaudited)	<u>416,597</u>	<u>34,634</u>

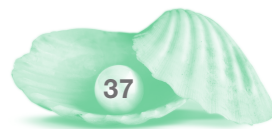
- (a) On 17 April 2008, the Company issued convertible loan notes with an aggregate principal amount of HK\$385,000,000 ("Convertible Notes"). The maturity date of the Convertible Notes is 17 April 2011 ("Maturity Date"). The Convertible Notes carry 3% coupon interest per annum payable semi-annually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

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

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

The Convertible Notes contain two components, liability and equity components. The equity component is included in the convertible loan notes equity reserve. The effective interest rate of the liability component is 11.64% per annum. At 30 June 2010, the carrying amount of the liability component of the Convertible Notes is approximately HK\$360,300,000. No conversion was noted for the period ended 30 June 2010 and year ended 31 December 2009.

As the Convertible Notes will mature on 17 April 2011, the liability component is reclassified as current liabilities at its carrying amount as at 30 June 2010.



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

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 21. CONVERTIBLE LOAN NOTES (continued)

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

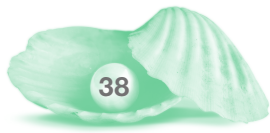
The major terms of Convertible Bond are as follows:

- (i) Conversion option:

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 II at the conversion price of HK\$0.60 per share, subject to anti-dilutive adjustments ("Conversion Price").

- (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 II, 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.



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

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 21. CONVERTIBLE LOAN NOTES (continued)

(b) (continued)

(iii) Bondholder's early redemption option:

The Convertible Bondholder shall be entitled by giving 10 business days 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 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 days a 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 a liability component, a conversion option derivative, a compulsory conversion option derivative and a bondholder's early redemption option derivative (collectively "the derivative component").

At the date of issue, the liability component was recognised at fair value, calculated based on the present value of the redemption amount at 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% per annum.

The derivative component is measured at fair value at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss for the period ended 30 June 2010.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 21. CONVERTIBLE LOAN NOTES (continued)

(b) (continued)

Binomial model is used for valuation of the derivative component. The major inputs into the model were as follows:

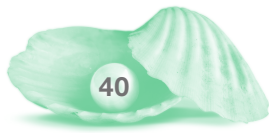
	30 June 2010	5 June 2009
Stock price	HK\$0.44	HK\$0.60
Exercise price	HK\$0.60	HK\$0.60
Volatility ( <i>note</i> )	59%	50%
Dividend yield	0%	0%
Option life	3.93 years	5 years
Risk free rate	1.44%	2.83%

*Note:* The volatility used in the model was determined with reference to the average of the comparable companies' historical volatility.

The fair value of the Convertible Bond with embedded derivatives was determined with reference to a valuation report carried out by an independent and recognised international business valuer, on Issue Date at approximately HK\$116,250,000. At 30 June 2010, the carrying amount of the liability component of the Convertible Bond is approximately HK\$56,297,000 and the fair value of the derivative component of the Convertible Bond is approximately HK\$34,634,000. No conversion was noted for the period ended 30 June 2010.

As the Convertible Bond could be redeemed by the Convertible Bondholder starting from 5 June 2011, the entire Convertible Bond is reclassified as current liabilities as at 30 June 2010.





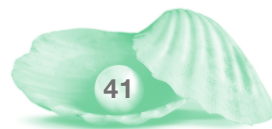
## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 22. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1 January 2009 (audited), 30 June 2009 (unaudited), 31 December 2009 (audited) and 30 June 2010 (unaudited)	<u>4,000,000,000</u>	<u>1,000,000</u>
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	<u>1,714,000</u>	<u>428</u>
At 30 June 2009 (unaudited), 31 December 2009 (audited) and 30 June 2010 (unaudited)	<u>2,142,141,179</u>	<u>535,535</u>

*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 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 2010

### 23. CONTINGENT LIABILITIES

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
Cross guarantee given to banks, in respect of banking facilities to third parties		
– amount that could be required to be paid if the guarantee was called upon entirely	<b>46,740</b>	46,330
– amount utilised	<b>46,740</b>	46,330
Guarantee given to a bank, in respect of banking facilities to an associate		
– amount that could be required to be paid if the guarantee was called upon entirely	<b>2,280</b>	–
– amount utilised	<b>2,280</b>	–

The Group had provided guarantees to banks in respect of banking facilities granted to third parties and an associate at nil consideration.

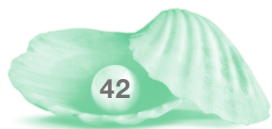
Fair value of these financial guarantees at initial recognition is considered as insignificant. In the opinion of the directors, no provision for the guarantee contracts is recognised at the end of the reporting period as the default risk is low.

### 24. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors of the Company, employees and other participants of the Group. Details of the share options outstanding during the current period are as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2010 (audited)	254,518,810
Lapsed during the period	(6,000,000)
Outstanding at 30 June 2010 (unaudited)	<b>248,518,810</b>

No share option was granted or exercised during the period ended 30 June 2010.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 25. NON-CASH TRANSACTIONS

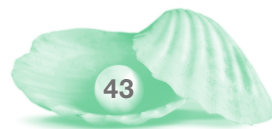
During the period ended 30 June 2009, a subsidiary of the Company entered into a sale and purchase agreement to dispose of its entire interest in Remarkable, a wholly-owned subsidiary of the Group at a consideration of US\$42,000,000 to be payable by instalments. Details are set out in note 7(b).

During the period ended 30 June 2010, a subsidiary of the Company disposed of its entire equity interest in 廣州銀視諮詢, a wholly owned subsidiary of the Group at a deferred consideration of RMB5,000,000 (equivalent to approximately HK\$5,692,000) to be settled within 12 months from the end of the reporting period. Details are set out in note 4(a).

### 26. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
	Notes	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Management fees paid to a controlling shareholder	(i)	480	477
Management fees paid to a related company	(ii)	330	328
Interest expenses paid to related companies	(iii)	–	207
Purchases from related companies	(iv)	–	680
Purchases from a jointly controlled entity		–	78
Utility expenses charged to a jointly controlled entity	(v)	–	15



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

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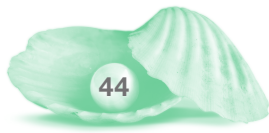
FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 26. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

*Notes:*

- (i) Management fees were paid to Shougang Holding (Hong Kong) Limited ("Shougang Holding") for the provision of management services.
  - (ii) Management fees were paid to Shougang Concord International Enterprises Company Limited, 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 to the Group. The loan was fully repaid during the period ended 30 June 2009.
  - (iv) Purchases were made during the six months period ended 30 June 2009 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.
  - (v) 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. As the jointly controlled entity was disposed by the Group in July 2009, such transaction was discontinued in the current period.
- (b) Details of balances and other arrangements with related parties of the Group are set out in the condensed consolidated statements of financial position on page 4 and in note 18.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 26. RELATED PARTY TRANSACTIONS (continued)

- (c) Compensation of key management personnel

The remuneration of key management members, who are the directors of the Company during the current period, is as follows:

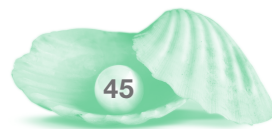
	<b>2010</b> <b>HK\$'000</b> <b>(unaudited)</b>	2009 <i>HK\$'000</i> (unaudited)
Short term benefits	<b>2,388</b>	2,248
Post-employment benefits	<b>120</b>	120
	<b>2,508</b>	2,368

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

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

#### Disposal of a subsidiary

On 8 July 2010, the Company entered into an agreement to sell its entire interest in a subsidiary, Hop Cheong Holdings Limited ("Hop Cheong"), to an independent third party at a consideration of approximately HK\$10,000,000. The disposal was completed on 31 July 2010. The assets and liabilities held by Hop Cheong prior to the disposal were approximately HK\$13,600,000 and HK\$5,000,000 respectively. The Group estimated the gain on disposal to be approximately HK\$1,400,000. Details are set out in the announcement dated 8 July 2010.



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

# 德勤

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

首長科技集團有限公司

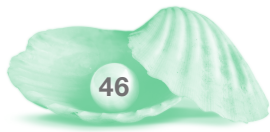
*(incorporated in Hong Kong with limited liability)*

#### Introduction

We have reviewed the interim financial information set out on pages 4 to 44, 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 2010 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**

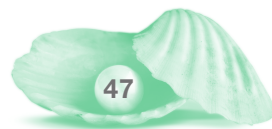
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 August 2010



## MANAGEMENT DISCUSSION AND ANALYSIS

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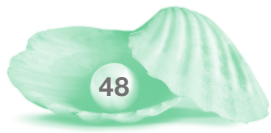
### Business Review

Turnover from the continuing operations for the six months ended 30 June 2010 amounted to HK\$196.0 million (for the six months ended 30 June 2009: HK\$147.6 million), representing an increase of 33% over the corresponding period of the previous year. The increase in turnover was attributable to a steady income growth recorded in system integration solution services and that some new large-scale projects were secured in 2010.

Profit attributable to the owners of the Company for the period amounted to HK\$4.8 million (for the six months ended 30 June 2009: HK\$208.3 million). Profit for the period was mainly attributable to the profit derived from continuing operations of HK\$19.3 million, less loss derived from the traditional business of HK\$13.6 million. The traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. As the profit margin of the traditional business was lower and recurring losses were noted, the Group decided to allocate and transfer the resources to other businesses with higher profit margin. The traditional business only recorded a turnover of HK\$200,000 during the period and was classified as discontinued operation in the interim report. The profit for the six months ended 30 June 2009 was mainly attributable to the disposal of two subsidiaries which recognized a gain of approximately HK\$208.8 million. The basic profit per share from continuing and discontinued operations was HK0.22 cents (for the six months ended 30 June 2009: HK10.17 cents). By excluding the discontinued operation, the basic earnings per share from continuing operations was HK0.86 cents (for the six months ended 30 June 2009: HK3.24 cents).

As at 30 June 2010, the Group's equity attributable to the owners of the Company amounted to HK\$1,228.6 million, an increase of HK\$9.6 million over the audited figure as at 31 December 2009 of HK\$1,219.0 million. The net asset value per share attributable to the owners of the Company as at 30 June 2010 was HK\$0.57 (31 December 2009: HK\$0.57).





## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

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### **Business Review (continued)**

#### *Digital Television Business*

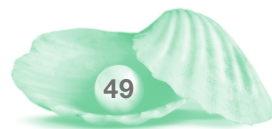
As at 30 June 2010, the Group had, together with Guangdong Southern Yinshi Network Media Company Limited (hereinafter abbreviated as "Southern Yinshi"), set up 15 local digital television project companies (hereinafter abbreviated as "local project companies") in Guangdong Province and established an 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\$47.6 million (six months period ended 30 June 2009: HK\$44.6 million). The rise in service fee received was mainly due to the increasing number of new subscribers during the period. However, the weak domestic and global 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\$2.4 million through the provision and manufacture of digital television equipment compared with a turnover of approximately HK\$13.1 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 believes that the digital television business can generate a rewarding return to the Group in the long run.

#### *System Integration Solution Services*

The system integration solution services have continued to generate a stable return for the Group. The turnover and operating profit of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as "SST") for the six months ended 30 June 2010 amounted to HK\$135.0 million (for the six months ended 30 June 2009: HK\$79.7 million) and HK\$9.2 million (for the six months ended 30 June 2009: operating profit of HK\$9.5 million) respectively.

The Group will continue to explore and develop energy saving product business such as developing a series of energy saving products for the telecommunication industry. It is expected that this new opportunity will bring reasonable return to the Group in the future.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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### Business Review (continued)

#### *Traditional Business – Discontinued operation*

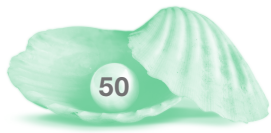
The traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. The turnover and the operating loss of the traditional business for the six months ended 30 June 2010 amounted to HK\$200,000 (for the six months ended 30 June 2009: HK\$27.3 million) and HK\$13.6 million (for the six months ended 30 June 2009: HK\$27.4 million) respectively. The loss incurred by traditional business during the period are mainly caused by the substantial decrease in turnover without corresponding decrease in operating expenses, the one-off compensation payment to laid-off employees, and the provision made for inventories due to customs clearance or obsolescence. As the profit margin of the traditional business was lower and recurring losses were noted, the Group decided to allocate and transfer the resources to other businesses with higher profit margin. The traditional business only recorded a turnover of HK\$200,000 during the period and was classified as discontinued operation in the interim report. The management intended to lease the properties and other fixed assets located at Dongguan Factory in respect of the traditional business, and is liaising actively with prospective lessees for negotiation to materialize the lease of the same.

#### *High Precision Metal Components*

For the six months ended 30 June 2010, the turnover and the operating loss of high precision metal components business amounted to HK\$10,400,000 (for the six months ended 30 June 2009: HK\$9,700,000) and HK\$1,500,000 (for the six months ended 30 June 2009: operating profit of HK\$1,200,000) respectively.

On 31 July 2010, the Group completed the disposal of the entire equity interests in Hop Cheong Holdings Limited (hereinafter abbreviated as “Hop Cheong”). Prior to the disposal, Hop Cheong was a wholly-owned subsidiary of the Company. Hop Cheong is an investment holding company and the primary activities of its subsidiaries are manufacture and sale of high precision metal components. The consideration for the disposal amounted to approximately HK\$10,000,000. Details of the transactions contemplated under the agreement were disclosed in the announcement dated 8 July 2010.

The disposal will help streamline the business operation of the Group and concentrate resources in businesses that can bring better return for the shareholders. The Group intended to use the proceeds from the disposal to further develop its digital TV and related businesses in China.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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### Business Review (continued)

#### *Photomask – Discontinued operation*

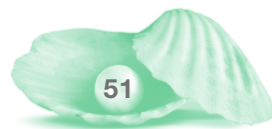
The photomask business was classified as discontinued operation with the disposal of Remarkable Mask Technology Company Limited (“Remarkable”) completed in June 2009. Attributable turnover of Remarkable amounted to HK\$8.7 million for the six months ended 30 June 2009 with a reported loss of HK\$37.1 million up to the date of disposal. The Group disposed Remarkable to an independent third party for US\$42 million (approximately HK\$325.5 million) and 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. The first and second installments amounting to US\$14.7 million (approximately HK\$113.9 million) were fully received. The purchaser undertook to repay the Group the consideration of US\$27.3 million (approximately HK\$212.7 million) not yet received according to an updated repayment schedule. The management will monitor closely the repayment and make adequate provision if considered necessary.

### Prospect

Through the disposal of Hop Cheong and the discontinuance of the traditional business, the Group will deploy resources in digital television business and system integration solution services. Along with the accelerated implementation of the State’s policy of “integration of the three networks”, the Group will intensify its collaboration with Southern Yinshi to speed up remodeling of the existing television networks in Guangdong Province in future years, with an aim to reap income of digital television technology and value-added services through the provision of digital television technology solutions and network system equipment.

The Group believes that following the stabilization of the global economy, the revenue from sales of digital television equipment will rebound gradually. The Group has well maintained the plant facilities in respect of the digital television equipment business in Dongguan for the anticipated growth in the sales of the digital television equipment.

In addition, a subsidiary established by the Group will focus on the development of cooling system for mobile telecommunication base station in the sphere of intelligent system business, providing a series of energy saving products to reduce system energy consumption, which is in line with the business strategy of last year. The Group has signed cooperation agreements with some domestic mobile network companies in relation to energy saving business, whereby the Group will provide energy-saving remodel resolution and products in accordance with energy-saving requirements of the mobile network companies. The Group believes that the new energy-saving business will bring considerable return to the Group in the future.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Resources and Liquidity

The financial leverage of the Group as at 30 June 2010, as compared to 31 December 2009 is summarized below:

	As at	
	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Total debt		
– from banks	<b>558,820</b>	526,667
– from convertible loan notes	<b>416,597</b>	395,025
Sub-total	<b>975,417</b>	921,692
Cash and bank deposits	<b>270,105</b>	408,475
Net debt	<b>705,312</b>	513,217
Total capital (equity and total debt)	<b>2,203,967</b>	2,140,645
Total assets	<b>2,566,864</b>	2,686,899
Financial leverage		
– net debt to total capital	<b>32.0%</b>	24.0%
– net debt to total assets	<b>27.5%</b>	19.1%

### Financing activities

During the period, the Group had obtained new borrowings of RMB118.0 million, which were bank loans with maturity of half to one year and were mainly used to provide working capital for SST. These borrowings bear interest at variable interest rate based on the benchmark interest of The People's Bank of China.

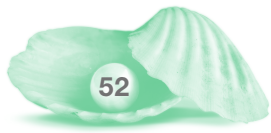
### Foreign Exchange Exposure

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, Renminbi and United States dollars. The operation results of the Group might be affected by the volatility of Renminbi. 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 2010, there were no derivative financial instruments employed by the Group.

### Capital Structure

During the period under review, 6,000,000 share options lapsed, and relevant share options reserve of approximately HK\$900,000 was transferred to accumulated losses.

The number of issued ordinary shares of the Company was approximately 2,142,100,000 as at 30 June 2010 and 31 December 2009.



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

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### **Material Acquisition, Disposals and Significant Investment**

Other than those disclosed in the paragraph under “Business Review” above, the Group had no other material acquisition, disposal and significant investment during the six months ended 30 June 2010.

### **Contingent Liabilities**

As at 30 June 2010, the contingent liabilities of the Group were arisen from cross guarantees given by SST of RMB41,000,000 (31 December 2009: RMB41,000,000) for credit facilities utilized by third parties and from a guarantee given by SST of RMB2,000,000 for credit facilities utilized by an associate (31 December 2009: Nil).

### **Employees and Remuneration Policies**

The Group had a total of 679 employees at 30 June 2010.

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.

## **INTERIM DIVIDEND**

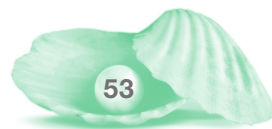
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The Board did not declare an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

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

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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

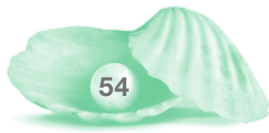
The Directors of the Company who held office at 30 June 2010 had the following interests in the shares and underlying shares of the Company as at 30 June 2010 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified 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 in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2010
		Interests in shares	Interests in underlying shares*	Total interests	
Mung Kin Keung	Beneficial owner and interests of controlled corporations	115,614,000	10,000,000	125,614,000	5.86%
Chau Chit ("Mr. Chau")	Beneficial owner and interests of a controlled corporation	316,598,000 <sup>#</sup>	18,750,000	335,348,000	15.65%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	23,439,810	43,439,810	2.02%
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%
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%

\* 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.

<sup>#</sup> Mr. Chau indicated in his disclosure form dated 18 December 2009 (being the latest disclosure form filed up to 30 June 2010) that as at 16 December 2009, his interests included 301,160,000 shares of the Company held by Mega Start Limited ("Mega Start") which was wholly-owned by Mr. Chau. The interest held by Mega Start was disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable under the SFO" below.



## **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)**

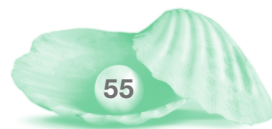
Save as disclosed above, as at 30 June 2010, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (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 2010.

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

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As at 30 June 2010, according to the register kept by the Company under Section 336 of the SFO (the "Register"), the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

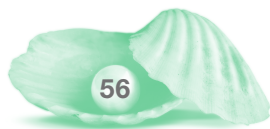


## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

### 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 in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2010	Note(s)
		Interests in shares	Interests in underlying shares	Total interests		
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	401,599,220	-	401,599,220	18.74%	1
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	-	231,515,151	10.80%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner, interests of controlled corporations	170,084,069	-	170,084,069	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

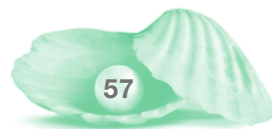




## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

### 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 in the Company			Total interests	Total interests as to % of the issued share capital of the Company as at 30.06.2010	Note(s)
		Interests in shares	Interests in underlying shares	Total			
Sicilia Holdings Limited ("Sicilia")	Beneficial owner	–	150,000,000*	150,000,000	7.00%	4	
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 SpA	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	
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%		



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

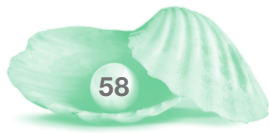
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### Long positions in the shares and underlying shares of the Company (continued)

- \* *The relevant interests are 3% convertible notes due on 17 April 2011 with an aggregate principal amount of HK\$385,000,000 issued by the Company pursuant to the subscription agreement dated 3 April 2008. Upon full conversion of the convertible notes at the initial conversion price of HK\$1.10 per share (subject to adjustment), a total of 350,000,000 conversion shares of the Company will be allotted and issued.*
  
- # *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 January 2010 (being the latest disclosure form filed up to 30 June 2010) that as at 21 January 2010, its interests included the interests held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding.
  
2. Cheung Kong indicated in its disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 30 June 2010) that as at 19 May 2009, its interests included the interest held by Max Same, a wholly-owned subsidiary of Cheung Kong.



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

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

*Notes:* (continued)

- 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.

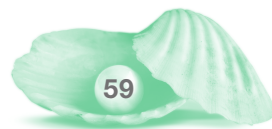
In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and TDT2 as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 held units in UT1.

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.

- Mr. Li indicated in his disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 30 June 2010) that as at 19 May 2009, his interests included the interest 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 2010) that as at 3 April 2008, its interests included the interest held by Sicilia, a wholly-owned subsidiary of Mayspin.

- Mega Start was wholly-owned by Chau Chit (“Mr. Chau”), a director of the Company, and its interest was 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)**

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

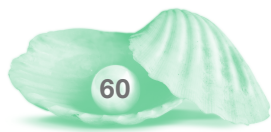
*Notes:* (continued)

6. Temasek indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2010) that as at 4 March 2008, its interests included the interest held by ST Engineering which was held as to 50.77% by Temasek.

ST Engineering indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2010) that as at 4 March 2008, its interests included the interest held by ST Electronics which is a wholly-owned subsidiary of ST Engineering.

7. Argepa SpA indicated in its disclosure form dated 9 March 2010 (being the latest disclosure form filed up to 30 June 2010) that as at 4 March 2010, its interests included the interest held by CT S.p.A. which was held as to 40.99% by Argepa SpA.

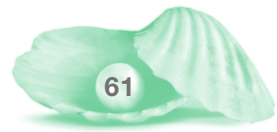
Save as disclosed above, as at 30 June 2010, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.



## SHARE OPTIONS

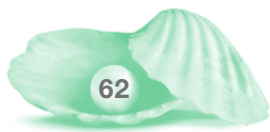
On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was granted, exercised or cancelled in accordance with the terms of the Scheme during the six months ended 30 June 2010. Details of movements 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	Lapsed during the period	At the end of the period			
<b>Directors of the Company</b>								
Cao Zhong	8,026,000	(8,026,000) <sup>1</sup>	-	-	-	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	18,800,000	(18,800,000) <sup>1</sup>	-	-	-	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	26,826,000	(26,826,000)	-	-	-			
Mung Kin Keung	10,000,000	-	-	-	10,000,000	16.12.2009	16.12.2009 – 15.12.2019	HK\$0.596
	10,000,000	-	-	-	10,000,000			
Chau Chit	10,000,000	-	-	-	10,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	8,750,000	-	-	-	8,750,000	16.12.2009	16.12.2009 – 15.12.2019	HK\$0.596
	18,750,000	-	-	-	18,750,000			
Leung Shun Sang, Tony	4,816,000	-	-	-	4,816,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	3,200,000	-	-	-	3,200,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	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) <sup>2</sup>	-	-	-	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	1,800,000	(1,800,000) <sup>2</sup>	-	-	-	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	3,514,000	(3,514,000)	-	-	-			



## SHARE OPTIONS (continued)

Category or name of grantees	Options to subscribe for shares of the Company				At the end of the period	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	Lapsed during the period					
<b>Directors of the Company (continued)</b>	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				
Kan Lai Kuen, Alice	1,714,000	(1,714,000) <sup>3</sup>	-	-	-	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406	
	1,800,000	(1,800,000) <sup>3</sup>	-	-	-	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	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	1,800,000	-	-	-	1,800,000				
	97,071,810	(33,854,000)	-	-	63,217,810				
<b>Employees of the Group</b>	4,000,000	-	-	-	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200	
	85,000,000	-	-	(6,000,000) <sup>4</sup>	79,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780	
	89,000,000	-	-	(6,000,000)	83,000,000				

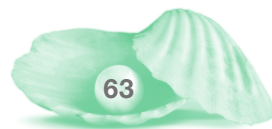


## SHARE OPTIONS (continued)

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	Lapsed during the period	At the end of the period			
Other participants	32,104,000	-	8,026,000 <sup>1</sup>	-	40,130,000	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	-	3,428,000 <sup>2&amp;3</sup>	-	8,720,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406
	5,000,000	-	22,400,000 <sup>1,2&amp;3</sup>	-	27,400,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
	68,447,000	-	33,854,000	-	102,301,000			
254,518,810	(33,854,000)	33,854,000	(6,000,000)	248,518,810				

### Notes:

- Mr. Cao Zhong resigned as a Director of the Company on 10 May 2010. The Board approved the extension of the exercise period for his share options up to 14 November 2012 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.
- Mr. Chen Jang Fung resigned as a Director of the Company on 10 May 2010. The Board approved the extension of the exercise period for his share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.
- Ms. Kan Lai Kuen, Alice retired as a Director of the Company on 8 June 2010. The Board approved the extension of the exercise period for her share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.
- The share options were held by two grantees who ceased to be employees of the Group during the period and such share options lapsed on 1 January 2010 and 2 April 2010 respectively.



## **AUDIT COMMITTEE**

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The Company has engaged the Auditor to assist the Audit Committee to review the 2010 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 19 August 2010 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2010.

## **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 2010.

## **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 2010.

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

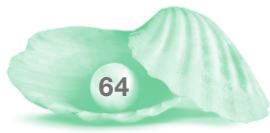
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The following are the changes in the information of Directors since the date of the 2009 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Mung Kin Keung ("Mr. Mung"), an Executive Director of the Company, was appointed as the Vice-chairman of the Company as well as the chairman of each of the Nomination Committee and the Investment Committee and the Vice-chairman of the Remuneration Committee with effect from 10 May 2010.

From 10 May 2010, Mr. Mung's salary has been adjusted from HK\$1,000,000 for a full year to HK\$200,000 per month.





## 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  
**Li Shaofeng**  
*Chairman*

Hong Kong, 26 August 2010