SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

Stock Code : 521

CONTINUED GROWTH

ANNUAL REPORT 2010

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Shaofeng *(Chairman)*
Mung Kin Keung *(Vice Chairman)*
Chau Chit *(Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Chan Wah Tip, Michael *(Non-executive Director)*
Lee Fook Sun *(Non-executive Director)*
Wong Kun Kim
(Independent Non-executive Director)
Leung Kai Cheung
(Independent Non-executive Director)
Wong Wai Kwan
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Chau Chit *(Chairman)*
Li Shaofeng
Mung Kin Keung

AUDIT COMMITTEE

Wong Kun Kim *(Chairman)*
Chan Wah Tip, Michael
Leung Kai Cheung
Wong Wai Kwan

NOMINATION COMMITTEE

Mung Kin Keung *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Wong Kun Kim
Leung Kai Cheung
Wong Wai Kwan

REMUNERATION COMMITTEE

Leung Shun Sang, Tony *(Chairman)*
Mung Kin Keung *(Vice Chairman)*
Wong Kun Kim
Leung Kai Cheung
Wong Wai Kwan

INVESTMENT COMMITTEE

Mung Kin Keung *(Chairman)*
Li Shaofeng
Chau Chit
Leung Shun Sang, Tony
Leung Kai Cheung

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Unit 2102, 21st Floor
Tower II, Admiralty Centre
No. 18 Harcourt Road
Hong Kong

STOCK CODE

521

WEBSITE

www.shougang-tech.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Li Shaofeng, aged 44, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed as an Executive Director and the Chairman of the Company in May 2010 and is a member of each of the Executive Committee and the Investment Committee of the Company. He joined Shougang Corporation, the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), in 1989 and is the vice chairman and managing director of Shougang Holding and a director of each of Asset Resort Holdings Limited ("Asset Resort") and Wheeling Holdings Limited ("Wheeling"). Each of Shougang Holding, Asset Resort and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Li is the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International"), the chairman and managing director of Shougang Concord Century Holdings Limited ("Shougang Century"), and the chairman of each of Shougang Concord Grand (Group) Limited ("Shougang Grand") and Global Digital Creations Holdings Limited ("GDC"). He is also a director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the board of directors of the Company (the "Board") from time to time. For the period from 10 May 2010 (the date of appointment of Mr. Li as an Executive Director of the Company) to 31 December 2010, Mr. Li's monthly salary is HK$200,000 and his discretionary bonus is HK$1,800,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Li's individual performance.

DIRECTORS' BIOGRAPHIES

Mr. Mung Kin Keung, aged 50, holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. Mr. Mung was appointed an Executive Director of the Company in February 2009 and the Vice Chairman of the Company in May 2010 and is the chairman of each of the Nomination Committee and the Investment Committee, the vice chairman of the Remuneration Committee and a member of the Executive Committee of the Company. He is the chairman and an executive director of Mastermind Capital Limited and an executive director of Hong Kong Resources Holdings Company Limited, both of which are listed companies in Hong Kong. Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years of experience in areas of business management, strategic planning and development.

A service contract was entered into between Mr. Mung and the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Mung is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2010, Mr. Mung's annual salary is HK$1,898,336.2 and his discretionary bonus is HK$2,000,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Mung's individual performance.

Mr. Chau Chit, aged 45, graduated from Zhejiang University. Mr. Chau was appointed an Executive Director of the Company in June 2006 and is currently the Managing Director and the chairman of the Executive Committee and a member of the Investment Committee of the Company. He is a director and the chief executive officer of Sino Stride Technology (Holdings) Limited ("Sino Stride"), a subsidiary of the Company which was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 29 July 2002 to 6 November 2006. Mr. Chau is a director and the sole shareholder of Mega Start Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

A service contract was entered into between Mr. Chau and the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Chau is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2010, Mr. Chau's monthly salary is HK$200,000 and his discretionary bonus is HK$2,000,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chau's individual performance.

Mr. Leung Shun Sang, Tony, aged 68, holds a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in April 1993 and is the chairman of the Remuneration Committee, the vice chairman of the Nomination Committee and a member of the Investment Committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Grand, Shougang Century, GDC and Fushan International Energy Group Limited. Mr. Leung is the managing director of CEF Group. He has over 40 years of experience in finance, investment and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Leung is HK$190,000. For the financial year ending 31 December 2011, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Chan Wah Tip, Michael, aged 58. Mr. Chan was appointed an Independent Non-executive Director of the Company in August 1996 and was re-designated as Non-executive Director of the Company in September 2004. He is also a member of the Audit Committee of the Company. Mr. Chan is currently a non-executive director of High Fashion International Limited and an independent non-executive director of L.K. Technology Holdings Limited, both of which are listed companies in Hong Kong. He is a practising solicitor in Hong Kong and a partner of Wilkinson & Grist.

An engagement letter was entered into with Mr. Chan for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Chan is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Chan is HK$200,000. For the financial year ending 31 December 2011, the director's fee of Mr. Chan will be HK$200,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chan. Such director's fees were determined with reference to Mr. Chan's experience and duties as well as the then prevailing market conditions.

Mr. Lee Fook Sun, aged 54, graduated from the University of Oxford with a Bachelor of Arts (Honours) and a Master of Arts (Engineering Science) degree and completed the Stanford Executive Programme at Stanford University. Mr. Lee was appointed a Non-executive Director of the Company in December 2007. He served in the Singapore Ministry of Defence as Director of Joint Intelligence Directorate from 1996 to 2000 and retired from active military services with a rank of Brigadier General. Currently, Mr. Lee is the President of Singapore Technologies Electronics Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

An engagement letter was entered into with Mr. Lee for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Lee is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Lee is HK$150,000. For the financial year ending 31 December 2011, the director's fee of Mr. Lee will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Lee. Such director's fees were determined with reference to Mr. Lee's experience and duties as well as the then prevailing market conditions.

Mr. Wong Kun Kim, aged 66, holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Wong is licensed as a responsible officer of each of Asia Investment Management Limited and Asia Investment Research Limited under the SFO. He has over 35 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. Mr. Wong had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America and is currently an independent non-executive director of Sunway International Holdings Limited, a Hong Kong listed company.

An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Wong is HK$240,000. For the financial year ending 31 December 2011, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

Mr. Leung Kai Cheung, aged 65, graduated from the Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investment Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Leung had been a senior executive of Citibank, N.A. and the general manager of Barclays Bank PLC in charge of Kowloon and New Territories district. He is currently the chairman of each of Star International Enterprises Limited and Shinon Technologies Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

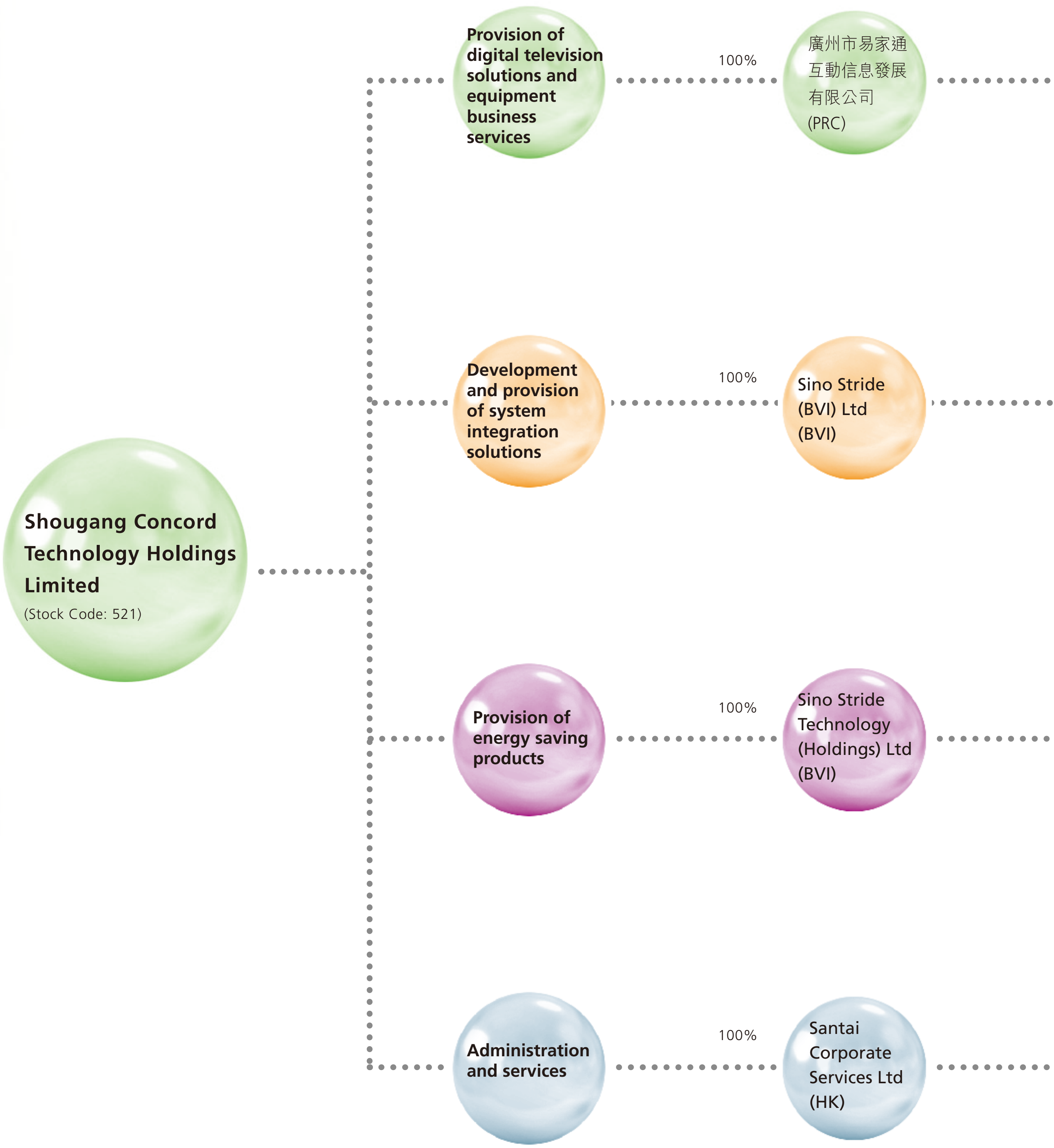
An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Leung is HK$240,000. For the financial year ending 31 December 2011, the director's fee of Mr. Leung will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

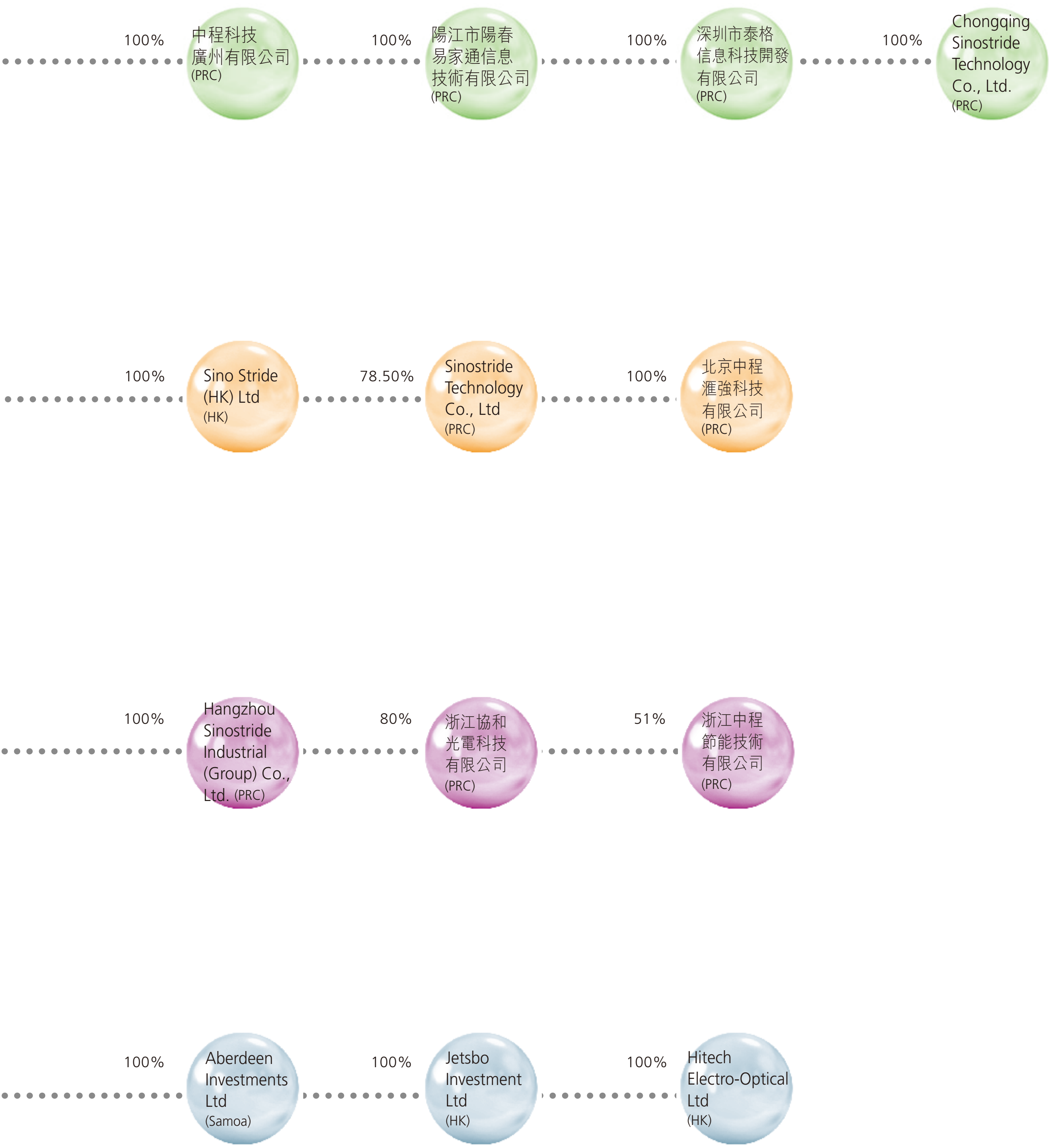
Mr. Wong Wai Kwan, aged 43, holds a bachelor degree in accountancy from City University of Hong Kong and a master degree in business administration from Washington University in St. Louis, U.S.A. Mr. Wong was appointed an Independent Non-executive Director of the Company in June 2010 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Currently, Mr. Wong is the Chief Executive Officer of RSM China Consulting, the consulting arm of RSM China CPA firm which in turn is a member firm of RSM International. He was a non-executive director of Sino Stride, a subsidiary of the Company, from April 2002 to November 2006. Sino Stride was listed on the GEM of the Stock Exchange from 29 July 2002 to 6 November 2006. Mr. Wong has extensive working experience in the audit and consulting areas, particularly in IPO, risk management and merger and acquisition.

An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Wong is HK$135,333. For the financial year ending 31 December 2011, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2010




100%
中程科技
廣州有限公司
(PRC)
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陽江市陽春
易家通信息
技術有限公司
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深圳市泰格
信息科技開發
有限公司
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Chongqing
Sinostride
Technology
Co., Ltd.
(PRC)
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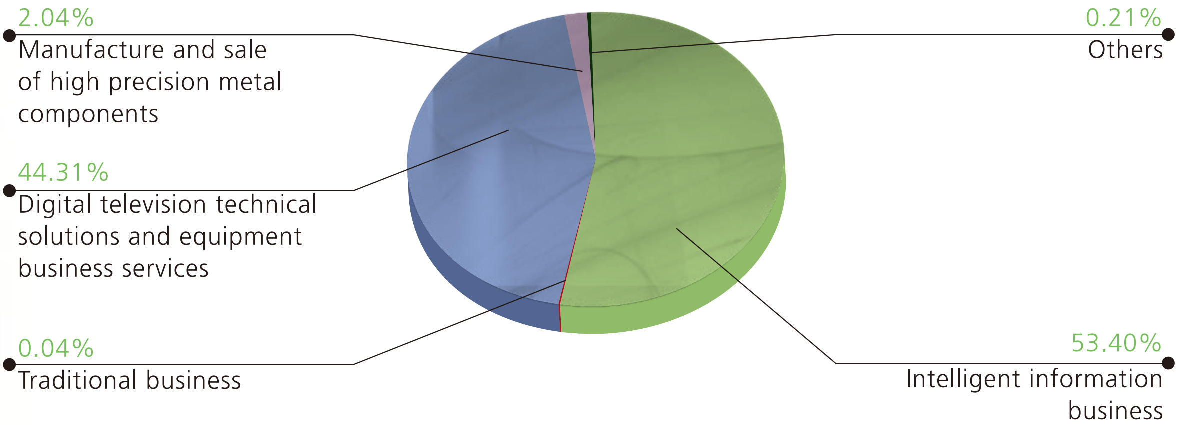
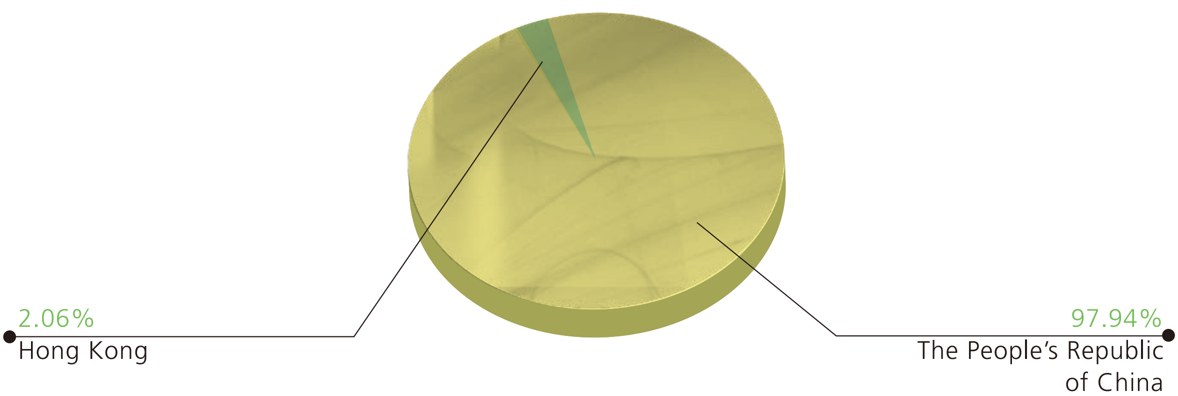
78.50%
Sinostride
Technology
Co., Ltd
(PRC)
100%
北京中程
滙強科技
有限公司
(PRC)
100%
Hangzhou
Sinostride
Industrial
(Group) Co.,
Ltd. (PRC)
80%
浙江協和
光電科技
有限公司
(PRC)
51%
浙江中程
節能技術
有限公司
(PRC)
100%
Aberdeen
Investments
Ltd
(Samoa)
100%
Jetsbo
Investment
Ltd
(HK)
100%
Hitech
Electro-Optical
Ltd
(HK)

FINANCIAL HIGHLIGHTS

TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2010

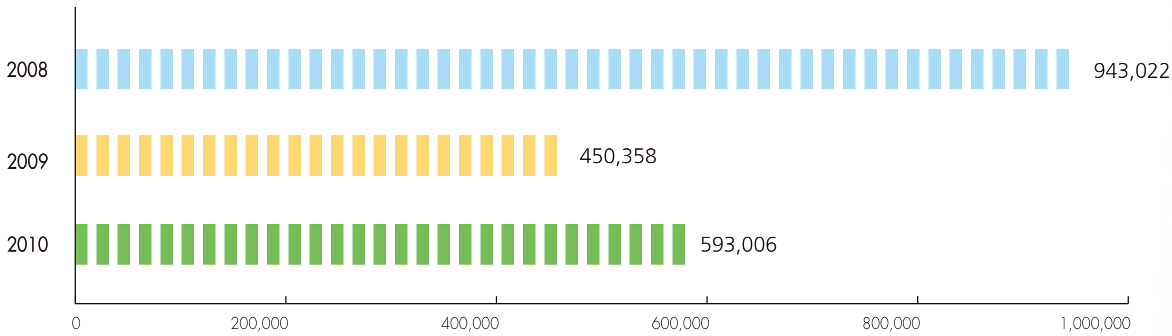


TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2010



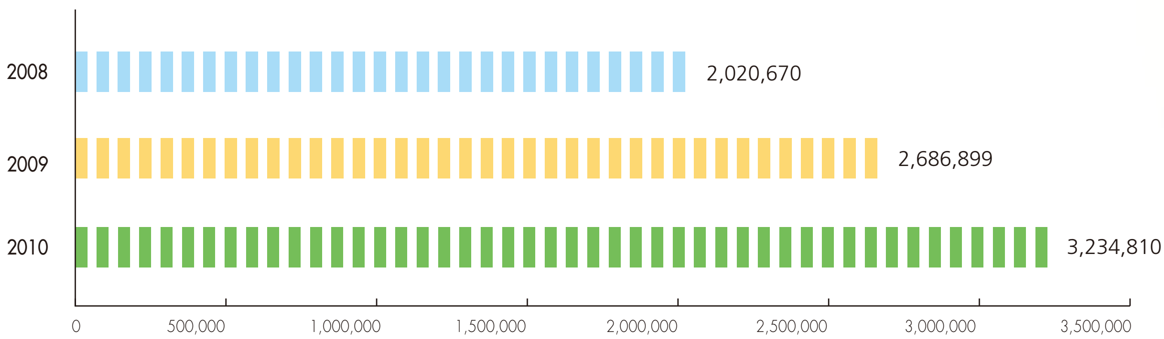
TURNOVER

HK$'000



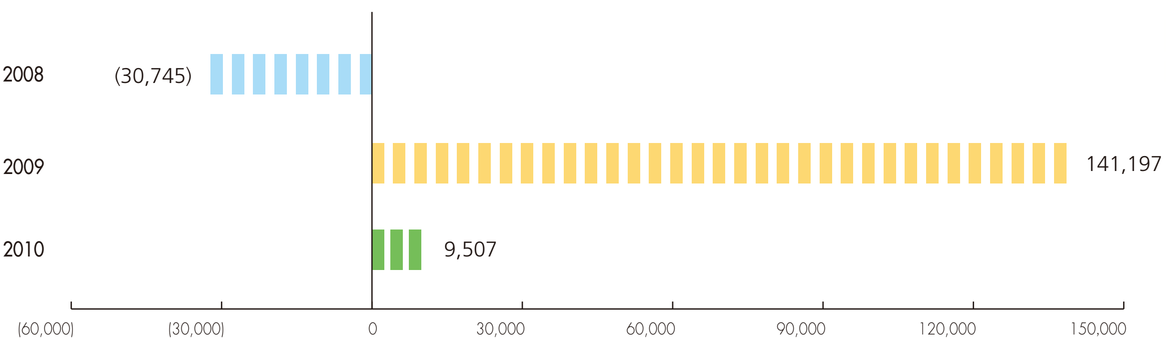
TOTAL ASSETS

HK$'000



PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$'000



CHAIRMAN'S STATEMENT

I am pleased to announce that the Group recorded a profit attributable to shareholders of HK$9,500,000 in 2010, which represents a more solid financial position of the Group as compared with a loss of HK$67,600,000 (excluding the gain on disposal of two subsidiaries of HK$208,800,000) recorded last year. The profit was mainly derived from the stable development of digital television business services and system integration solution business of the Group. Therefore, the Group will continue to focus resources on these two core businesses in the future, and make efforts to explore business with developing potential or of high growth, so as to generate a steady flow of revenue and stable returns for shareholders.

Earlier this year, the Group maintained cooperation with Guangdong Southern Yinshi Network Media Company Limited to develop digital television business services, and carried out a restructuring scheme to its business model of digital television according to certain agreements entered into during the year, including re-establishing income sharing right and income sharing model. As digital television subscribers increased during the year, the Group has provided more advanced digital television technology through the additions of digital television equipments. As such, the income of overall technical service fee has increased, producing a considerable benefit for the Group. Sales of digital television equipment also rose sharply this year because of the rapid growth of digital television business.

The Group obtained a loan of four hundred million yuan from domestic banks and issued zero coupon convertible bonds with a nominal value of USD15,000,000 last year, which provided sufficient funds for developing digital television business services, and proved that investors continue to support the Group's substantainable development of digital television business services.

Regarding the system integration solution business of the Group, sale of energy-saving products designed to reduce energy consumption of mobile communication base station has started during the year. The new energy-saving products related business is expected to bring a growth momentum to the development of the Group in the future. In addition, the Group has completed the acquisition of 80% stake of Concord Optic-Electric Technology Co., Ltd. by the end of the year in expectation of developing LED lighting business conforming to the rapid growth of this industry in China and seeking more business opportunities for the Group in the future.

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

Li Shaofeng
Chairman

Hong Kong, 29 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover from the continuing operations for the year ended 31 December 2010 amounted to HK$580.7 million (31 December 2009: HK$386.6 million (restated)), representing an increase of 50% over the previous year. The increase in turnover was attributable to a steady income growth recorded in system integration solution services and digital television business services.

Profit attributable to the owners of the Company for the year amounted to HK$9.5 million (31 December 2009: HK$141.2 million). Profit for the year was mainly attributable to the profit derived from the continuing operations of HK$20.2 million and the profit derived from the disposal of high precision metal components business of HK$2.2 million, less loss derived from the discontinued 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 year and was classified as discontinued operation during the year. Profit for year 2009 was mainly attributable to the disposal of two subsidiaries which recognized a gain of approximately HK$208.8 million. The basic earnings per share from continuing and discontinued operations was HK0.44 cents (31 December 2009: HK6.87 cents). By excluding the discontinued operation, the basic earnings per share from continuing operations was HK0.98 cents (31 December 2009: HK0.54 cents (restated)).

As at 31 December 2010, the Group's equity attributable to the owners of the Company amounted to HK$1,249.7 million, representing an increase of HK$30.7 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 31 December 2010 was HK$0.58 (31 December 2009: HK$0.57).

Digital Television Business Services

During the year, the Group reorganized its digital television business services model by entering into several agreements and revising the income sharing right and income sharing model. In addition, during the year, the Group completed the acquisition of certain digital television equipment from Guangdong Southern Yinshi Network Media Company Limited and other local project companies, enabling us to provide more advanced digital television technology solutions. For relevant details, please refer to the circular of the Company dated on 15 October 2010.

BUSINESS REVIEW *(Continued)*

Digital Television Business Services *(Continued)*

During the year, the Group, pursuant to the cooperative agreement it entered into, received technical service fee income amounting to approximately HK$156.1 million (31 December 2009: HK$85.3 million). The rise in service fee received was mainly due to the increasing number of new subscribers during the year and the Group provided more advanced digital television technology solutions by making use of the equipment newly acquired during the year.

The Group believes that the income from this business will grow consistently and can generate a rewarding return to the Group.

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 year ended 31 December 2010 amounted to HK$316.6 million (31 December 2009: HK$284.8 million) and HK$18.3 million (31 December 2009: HK$16.1 million) respectively.

During the year, the Group increased investment of HK$4,800,000 for acquisition of 31.5% interests in Concord Optic–Electronic Technology Co., Ltd. (originally an associate of the Group in which the Group has held 48.5% interests) with an aim to go in line with the rapid growth of the LED lighting industry in China and strive to develop the LED lighting business. The Group will continue to explore and develop the 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.

BUSINESS REVIEW *(Continued)*

Traditional Business – Discontinued Operation

Traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. The turnover and the loss of traditional business for the year amounted to HK$200,000 (31 December 2009: HK$29.2 million) and HK$13.6 million (31 December 2009: HK$41.5 million) respectively. The loss incurred by traditional business during the year are mainly caused by the substantial decrease in turnover without corresponding decrease in overheads, the one-off compensation payment to laid-off employees, and the write-off made for inventories due to customs clearance or obsolescence. As the profit margin of traditional business was lower and recurring losses were recorded, the Group decided to allocate and transfer the resources to other businesses with higher profit margin. Traditional business only recorded a turnover of HK$200,000 during the year and was classified as discontinued operation. The management decided to lease out the properties located at Dongguan Factory in respect of the traditional business. Part of the properties has been leased out during the year and the management is liaising actively with prospective lessees for negotiation of the lease of the remaining properties.

High Precision Metal Components Business – Discontinued Operation

For the seven months from 1 January 2010 to 31 July 2010 (date of disposal of the business), the turnover and the profit of high precision metal components business amounted to HK$12,100,000 (for the twelve months ended 31 December 2009: HK$25,900,000) and HK$2,200,000 (for the twelve months ended 31 December 2009: HK$2,200,000) 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$10,400,000. 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 television and related businesses in China.

PROSPECT

Through the disposal of Hop Cheong and the discontinuance of the traditional business, the Group has redeployed 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 continue the remodeling of the existing television networks in Guangdong Province in future years, with an aim to reap income from digital television technology and value-added services through the provision of digital television technology solutions and network system equipment.

PROSPECT *(Continued)*

In addition, a subsidiary of 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. 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 remodeling 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.

FINANCIAL RESOURCES AND LIQUIDITY

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

	As at	
	31 December 2010 HK$'000	31 December 2009 HK$'000
Total debt		
– from banks	**795,960**	526,667
– from convertible loan notes	**441,203**	395,025
Sub-total	**1,237,163**	921,692
Cash and bank deposits	**210,318**	408,475
Net debt	**1,026,845**	513,217
Total capital (equity and total debt)	**2,486,834**	2,140,645
Total assets	**3,234,810**	2,686,899
Financial leverage		
– net debt to total capital	**41.3%**	24.0%
– net debt to total assets	**31.7%**	19.1%

FINANCING ACTIVITIES

During the year, the Group had raised new bank borrowings of HK$443.9 million, which were bank loans with maturity within one year and were mainly used to provide working capital for the subsidiaries of the Group.

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 31 December 2010, there were no derivative financial instruments employed by the Group.

CAPITAL STRUCTURE

As at 31 December 2010, the number of ordinary shares and issued share capital of the Company were approximately 2,142,100,000 (31 December 2009: 2,142,100,000) and HK$ 535.5 million (31 December 2009: HK$535.5 million).

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 year ended 31 December 2010.

CONTINGENT LIABILITIES

As at 31 December 2010, the contingent liabilities of the Group were arisen from cross guarantees given by SST of HK$63,800,000 (31 December 2009: HK$46,330,000) for credit facilities granted to third parties, and the amount utilized was HK$47,560,000 (31 December 2009: HK$46,330,000).

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 492 employees as at 31 December 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 and subsidiaries operate. The remuneration packages of the employees include salary, discretionary bonuses, pension schemes, medical subsidies and share options as part of their staff benefits.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2010.

BOARD OF DIRECTORS

Composition

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

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

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

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

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

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

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

BOARD OF DIRECTORS (continued)

Role and function

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

Board meetings

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

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

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

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

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

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2010, the Directors have made active contribution to the affairs of the Group and six Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance records in 2010 are as follows:

	Meetings attended/Eligible to attend
Executive Directors	
Li Shaofeng *(appointed on 10 May 2010)*	3/3
Mung Kin Keung	6/6
Chau Chit	6/6
Cao Zhong *(resigned on 10 May 2010)*	3/3
Non-executive Directors	
Leung Shun Sang, Tony	6/6
Chan Wah Tip, Michael	4/6
Lee Fook Sun	1/6
Chen Jang Fung *(resigned on 10 May 2010)*	0/3
James Alan Chiddix *(resigned on 10 May 2010)*	1/3
Independent Non-executive Directors	
Wong Kun Kim	6/6
Leung Kai Cheung	6/6
Wong Wai Kwan *(elected on 8 June 2010)*	3/3
Kan Lai Kuen, Alice *(retired on 8 June 2010)*	1/3

Access to information

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

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

BOARD OF DIRECTORS (continued)

Appointments and re-election of Directors

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

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

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

Independent Non-executive Directors

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

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

Directors’ and officers’ liability

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

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and the Managing Director are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Cao Zhong continued to act as the Chairman from 1 January 2010 to 9 May 2010. Mr. Li Shaofeng succeeded Mr. Cao Zhong as the Chairman from 10 May 2010. Mr. Chau Chit serves as the Managing Director of the Company during the year. The Chairman provides leadership for the Board and overall strategic formulation for the Group. The Managing Director has overall chief executive responsibility for the Group’s business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

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

BOARD COMMITTEES

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

Executive Committee

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

The members of the Executive Committee during the year were as follows:

- Chau Chit *(Chairman)*
- Li Shaofeng *(appointed as a member from 10 May 2010)*
- Mung Kin Keung
- Cao Zhong *(Chairman) (ceased to act as a member from 10 May 2010)*

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

Audit Committee

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

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

- overseeing the relationship with the Company's auditor;

- reviewing the interim and annual financial statements; and

- reviewing the Company's financial reporting system and internal control procedures.

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

BOARD COMMITTEES (continued)

Audit Committee (continued)

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

	Meetings attended/Eligible to attend
Wong Kun Kim *(Chairman)*	2/2
Chan Wah Tip, Michael	2/2
Leung Kai Cheung	2/2
Wong Wai Kwan *(appointed as a member from 8 June 2010)*	1/1
Kan Lai Kuen, Alice *(ceased to act as a member from 8 June 2010)*	1/1

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

- reviewing the final results of the Group for the financial year ended 31 December 2009; and
- reviewing the interim results of the Group for the six months ended 30 June 2010.

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

Nomination Committee

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

The principal duties of the Nomination Committee include:

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

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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

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

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

	Meetings attended/Eligible to attend
Mung Kin Keung *(Chairman) (appointed as a member from 10 May 2010)*	0/0
Leung Shun Sang, Tony *(Vice Chairman)*	2/2
Wong Kun Kim	1/2
Leung Kai Cheung	2/2
Wong Wai Kwan *(appointed as a member from 8 June 2010)*	0/0
Cao Zhong *(Chairman) (ceased to act as a member from 10 May 2010)*	2/2
Kan Lai Kuen, Alice *(ceased to act as a member from 8 June 2010)*	1/2

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

During the year, two meetings of the Nomination Committee were held for considering and making recommendations to the Board on the appointment and re-designation of Directors.

BOARD COMMITTEES (continued)

Remuneration Committee

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

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;

- reviewing and approving performance-based remuneration;

- determining the specific remuneration packages of all Executive Directors and senior management and making recommendation to the Board of the remuneration of Non-executive Directors;

- reviewing and approving the compensation payable to Executive Directors and senior management and the compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

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

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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

	Meetings attended/Eligible to attend
Leung Shun Sang, Tony *(Chairman)*	3/3
Mung Kin Keung *(Vice Chairman) (appointed as a member from 10 May 2010)*	1/1
Wong Kun Kim	2/3
Leung Kai Cheung	3/3
Wong Wai Kwan *(appointed as a member from 8 June 2010)*	1/1
Cao Zhong *(Vice Chairman) (ceased to act as a member from 10 May 2010)*	2/2
Kan Lai Kuen, Alice *(ceased to act as a member from 8 June 2010)*	1/2

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

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

- considering and reviewing the remuneration and terms of service contracts of the Executive Directors of the Company;
- determining the bonuses of the Executive Directors of the Company for the year 2010; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2011.

Investment Committee

An Investment Committee of the Board was established in July 2009 with specific written terms of reference which deal clearly with its authorities and duties. Pursuant to the terms of reference, the Investment Committee shall be comprised all Executive Directors and two Non-executive Directors of the Company (amongst the two Non-executive Directors, at least one must be an Independent Non-executive Director).

BOARD COMMITTEES (continued)

Investment Committee (continued)

The members of the Investment Committee during the year were as follows:

- Mung Kin Keung *(Chairman)*
- Li Shaofeng *(appointed as a member from 10 May 2010)*
- Chau Chit
- Leung Shun Sang, Tony
- Leung Kai Cheung
- Cao Zhong *(ceased to act as a member from 10 May 2010)*

The Investment Committee is responsible for setting the investment policies and making investments for the Group for the funds that are not earmarked or reserved to meet short term working capital requirement of the Group (the "Surplus Funds") so that the Surplus Funds can be effectively managed for purposes in alignment with the Group's strategies, and can generate acceptable financial returns. The Investment Committee reports to the Board with respect to its decisions and activities. During the year, one meeting of the Investment Committee was held.

INTERNAL CONTROL

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

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

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

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

INTERNAL CONTROL (continued)

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

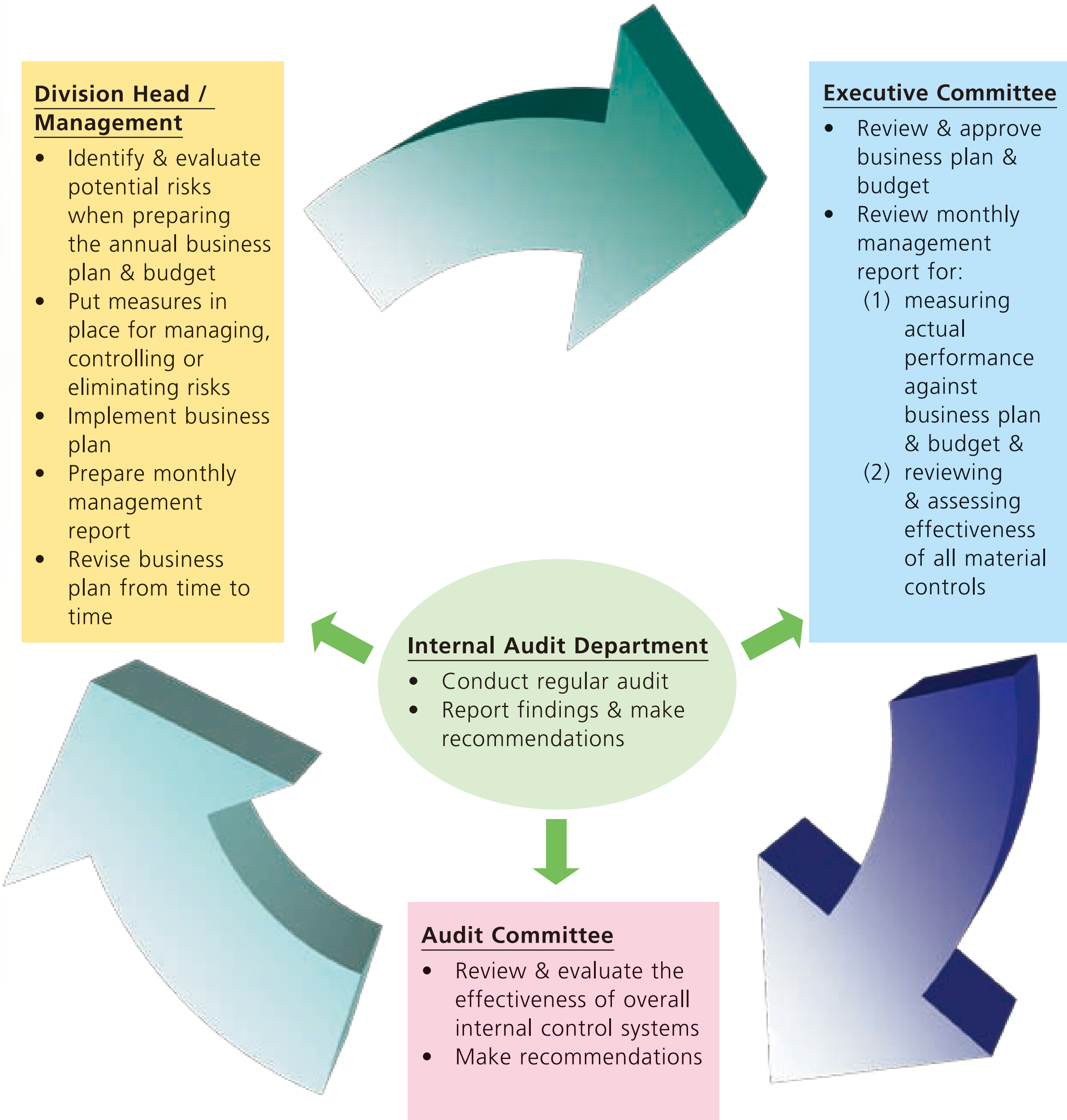
The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

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

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

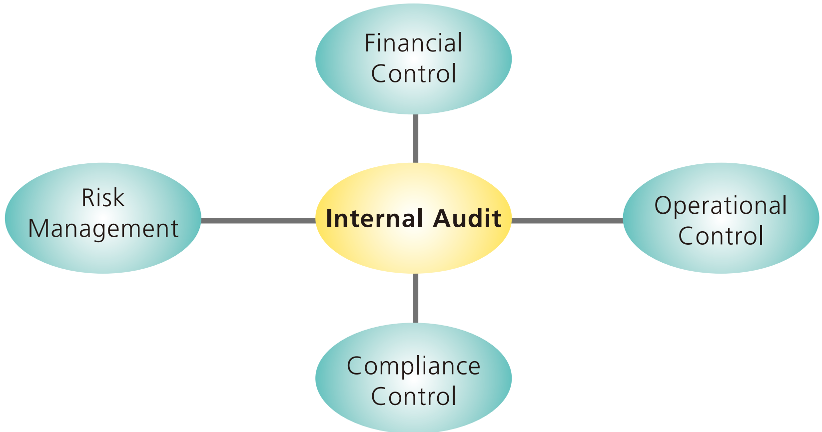
INTERNAL CONTROL (continued)

Internal control system



INTERNAL CONTROL (continued)

Internal audit functions



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the Internal Audit Department), continuously reviewing the effectiveness of the Group's internal control systems.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2010.

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

AUDITOR'S REMUNERATION

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

Services rendered	Fee paid/payable HK$'000
Audit services	3,100
Non-audit services:	
Taxation	63
	3,163

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 51 to 52 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

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

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

COMMUNICATION WITH SHAREHOLDERS (continued)

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent in the case of annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the commencement of a general meeting, the chairman of the meeting explained the procedures for conducting a poll and answered questions from shareholders regarding voting by way of a poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 23, 24 and 25 to the financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group at that date are set out in the financial statements on pages 53 to 202 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2009: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 203 to 204 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 40 to the financial statements.

CONVERTIBLE LOAN NOTES

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 58 to 59 of this annual report and in note 43 to the financial statements, respectively.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$229,000 (2009: Nil).

DIRECTORS

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

Li Shaofeng	*(appointed on 10 May 2010)*
Mung Kin Keung	
Chau Chit	
Leung Shun Sang, Tony	
Chan Wah Tip, Michael	
Lee Fook Sun	
Wong Kun Kim*	
Leung Kai Cheung*	
Wong Wai Kwan*	*(elected on 8 June 2010)*
Cao Zhong	*(resigned on 10 May 2010)*
Chen Jang Fung	*(resigned on 10 May 2010)*
James Alan Chiddix	*(resigned on 10 May 2010)*
Kan Lai Kuen, Alice*	*(retired on 8 June 2010)*

* *Independent Non-executive Directors*

In accordance with clauses 103(A) and 106 of the Company's articles of association, Mr. Mung Kin Keung, Mr. Leung Shun Sang, Tony, Mr. Chan Wah Tip, Michael and Mr. Wong Wai Kwan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

The Directors of the Company who held office at 31 December 2010 had the following interests in the shares and underlying shares of the Company as at 31 December 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in the Company: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2010
Li Shaofeng	Beneficial owner	–	21,000,000	21,000,000	0.98%
Mung Kin Keung	Beneficial owner and interests of a controlled corporation	115,614,000	21,000,000	136,614,000	6.37%
Chau Chit ("Mr.Chau")	Beneficial owner and interests of a controlled corporation	316,598,000#	21,750,000	338,348,000	15.79%
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%

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

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

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

Mr. Chau indicated in his disclosure form dated 17 December 2010 (being the latest disclosure form filed up to 31 December 2010) that as at 14 December 2010, 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.

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

Such business may be carried out through its subsidiaries.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 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 ("Notifiable Interest"):

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: Interests in shares	Interests in underlying shares	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2010	*Note(s)*
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*

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: Interests in shares	Interests in underlying shares	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2010	Note(s)
Mayspin Management Limited ("Mayspin")	Interests of a controlled corporation	–	150,000,000*	150,000,000	7.00%	4
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#	193,750,000	9.04%	

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

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

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

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 31 December 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 31 December 2010) that as at 19 May 2009, its interests included the interest held by Max Same, a wholly-owned subsidiary of Cheung Kong.

3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

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

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

4. Mr. Li indicated in his disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 31 December 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 31 December 2010) that as at 3 April 2008, its interests included the interest held by Sicilia, a wholly-owned subsidiary of Mayspin.

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

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

Notes: (continued)

5. 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.

6. Temasek indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 31 December 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 31 December 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 31 December 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 31 December 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.

PUBLIC FLOAT

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

SHARE OPTION SCHEME

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

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

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

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 283,518,810 which represents approximately 13.24% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 139,718,898, representing approximately 6.52% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors.

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

SHARE OPTION SCHEME (continued)

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

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

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

	Options to subscribe for shares of the Company								
Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company									
Li Shaofeng	–	21,000,000	–	–	–	21,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420
	–	21,000,000	–	–	–	21,000,000			
Cao Zhong	8,026,000	–	(8,026,000)[2]	–	–	–	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	18,800,000	–	(18,800,000)[2]	–	–	–	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
	–	11,000,000	–	–	–	11,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420
	10,000,000	11,000,000	–	–	–	21,000,000			
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
	–	3,000,000	–	–	–	3,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420
	18,750,000	3,000,000	–	–	–	21,750,000			

SHARE OPTION SCHEME (continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)									
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)[3]	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	(1,800,000)[3]	–	–	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,514,000	–	(3,514,000)	–	–	–			
Chan Wah Tip, Michael	400,000	–	–	–	–	400,000	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	1,714,000	–	–	–	–	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,914,000	–	–	–	–	3,914,000			
Lee Fook Sun	1,800,000	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	1,800,000	–	–	–	–	1,800,000			
Kan Lai Kuen, Alice	1,714,000	–	(1,714,000)[4]	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	(1,800,000)[4]	–	–	–	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	35,000,000	(33,854,000)	–	–	98,217,810			

SHARE OPTION SCHEME (continued)

Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
	Options to subscribe for shares of the Company								
Employees of the Group	4,000,000	–	–	–	–	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK$1.200
	85,000,000	–	–	–	(6,000,000)[5]	79,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	89,000,000	–	–	–	(6,000,000)	83,000,000			
Other participants	32,104,000	–	–	8,026,000[2]	–	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[3&4]	–	8,720,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	5,000,000	–	–	22,400,000[2,3&4]	–	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	35,000,000	(33,854,000)	33,854,000	(6,000,000)	283,518,810			

Notes:

1. (a) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.41 per share.

   (b) The estimated fair value of the share options determined at the date of grant using the Binomial Option Valuation pricing model was approximately HK$8,386,000. Details of the calculation of the fair value of the share options are set out in note 41 to the financial statements.

2. Mr. Cao Zhong resigned as a Director of the Company on 10 May 2010. The Board approved the extension of the exercise periods for his two batches of 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 year.

3. Mr. Chen Jang Fung resigned as a Director of the Company on 10 May 2010. The Board approved the extension of the exercise periods for his two batches of 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 year.

4. Ms. Kan Lai Kuen, Alice retired as a Director of the Company on 8 June 2010. The Board approved the extension of the exercise periods for her two batches of 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 year.

5. The share options were held by two grantees who ceased to be employees of the Group during the year and such share options lapsed on 1 January 2010 and 2 April 2010 respectively.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

DISTRIBUTABLE RESERVES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for 43% and 69% respectively of the total sales for the year. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers. In the year under review, purchases from the five largest suppliers accounted for less than 30% of the total purchases for the year.

CONNECTED TRANSACTIONS

The following connected transactions were recorded during the year and up to the date of this annual report:

Digital television business services

As stated in the announcement of the Company dated 3 September 2010 and in the circular of the Company dated 15 October 2010, 廣州市易家通互動信息發展有限公司 (Guangzhou Yijiatong Interactive Information Development Company Limited) ("Yijiatong"), a wholly-owned subsidiary of the Company, entered into the following agreements with 廣州市銀視信息咨詢有限公司 (Guangzhou Yinshi Consultant Company Limited) ("Yinshi Consultant") on 3 September 2010:

(a) a share disposal agreement, pursuant to which Yijiatong agreed to sell and Yinshi Consultant agreed to acquire (i) the 39% interest in the registered capital of 廣東南方銀視網絡傳媒有限公司 (Guangdong Southern Yinshi Network Media Company Limited) ("Southern Yinshi"); and (ii) the 36.11% interest in the registered capital of one existing project company and the 49% interest in the registered capital of each of the 16 existing project companies held by Yijiatong, at a consideration of RMB12,166,000 (the "Share Disposal"). The existing project companies are the companies established by Yijiatong and Southern Yinshi to provide digital television business services (the "Services") in Guangdong Province.

CONNECTED TRANSACTIONS (continued)

Digital television business services (continued)

(b) a novation agreement, pursuant to which Yijiatong would novate to Yinshi Consultant its rights and obligations under the existing cooperation agreement dated 10 March 2008 in relation to the Services (the "Existing Cooperation Agreement") at a consideration of RMB108,000,000 (the "Novation").

(c) a supplemental agreement, pursuant to which Yinshi Consultant agreed to novate to Yijiatong certain rights and obligations under the 18 operation agreements all dated 3 September 2010 entered into between Yinshi Consultant and Southern Yinshi and the existing project companies for development of digital television business in Guangdong Province (the "Yinshi Operation Agreements") at a consideration of RMB360,000,000. Pursuant to the Yinshi Operation Agreements as revised by the supplemental agreement, Yijiatong is responsible for providing the Services to Southern Yinshi and the project companies and in return Yijiatong would be entitled to the new income sharing rights, representing (i) 80% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the existing income sharing rights pursuant to the Existing Cooperation Agreement, generated by the Southern Yinshi and the project companies for the first 8 years from the commencement date of the provision of the Services; (ii) 50% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the existing income sharing rights pursuant to the Existing Cooperation Agreement, generated by Southern Yinshi and the project companies for the 9th to the 15th year from the commencement date of the provision of the Services; and (iii) a rate to be negotiated and agreed upon between the parties after the 15th year (the "New Income Sharing Rights Acquisition").

As at the date of the share disposal agreement, the novation agreement and the supplemental agreement, Yinshi Consultant was held as to 70% and 30% by Mr. Xu Donghui ("Mr. Xu") and Mr. Zhang Genliang ("Mr. Zhang") respectively. Since Mr. Xu and Mr. Zhang are former directors of a subsidiary of the Company within the preceding 12 months from the date of the agreements, Yinshi Consultant was considered to be an associate of a connected person of the Company and the Share Disposal and the Novation in aggregate, and the New Income Sharing Rights Acquisition constituted major and connected transactions for the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

Digital television business services (continued)

As a result of the Share Disposal, the Group could commit its available resources to the Services that may provide a better financial return to the Group. The Novation was to facilitate Yinshi Consultant to negotiate with Southern Yinshi and the project companies to replace the Existing Cooperation Agreement with the Yinshi Operation Agreements under which the new income sharing rights could be obtained. By entering into the supplemental agreement, the Group could obtain the new income sharing rights in return for its provision of the Services. The Group anticipated that it could obtain a higher return rate under the new income sharing rights as compared to that under the existing income sharing rights pursuant to the Existing Cooperation Agreement. The share disposal agreement, the novation agreement and the supplemental agreement mentioned above were confirmed, approved and ratified by the independent shareholders of the Company on 8 November 2010.

As far as the transactions took place during the year as set out in note 53(a) to the financial statements under the heading of "Related Party Transactions" are concerned, the transactions as set out in notes (i) and (ii) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 53(c) to the financial statements under the heading of "Related Party Transactions" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 53(d) to the financial statements under the heading of "Related Party Transactions" are concerned, the guarantees provided by the guarantors to secure the Group's general banking facilities for the benefit of the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

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

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 33 of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the end of the reporting period is set out in note 54 to the financial statements.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 29 March 2011

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 202, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Revenue	7	**580,668**	386,570
Cost of sales		**(392,661)**	(251,974)
Gross profit		**188,007**	134,596
Other income, gains and losses	9	**2,137**	(3,694)
Selling and distribution costs		**(7,699)**	(8,138)
Administrative expenses		**(95,980)**	(82,756)
Gain on fair value changes of investment properties	17	**1,377**	1,385
(Decrease) increase in fair value of held-for-trading investments		**(5,313)**	16,192
Gain on disposal of available-for-sale investments	27	**83**	34,295
Gain (loss) on disposal of subsidiaries	45(f)	**479**	(1,243)
Loss on disposal of partial interest in a subsidiary	42	**–**	(15,907)
Gain on fair value change of the derivative components of convertible loan notes	39	**44,339**	2,362
Share of loss of associates		**(114)**	(2,189)
Finance costs	10	**(89,695)**	(67,313)
Profit before tax		**37,621**	7,590
Income tax (expense) credit	11	**(17,398)**	4,817
Profit for the year from continuing operations	12	**20,223**	12,407
Discontinued operations			
(Loss) profit for the year from discontinued operations	13	**(11,392)**	130,545
Profit for the year		**8,831**	142,952
Other comprehensive income			
Exchange differences on translation			
Exchange difference arising during the year		**13,053**	927
Share of translation difference of associates		**438**	–
Reclassification adjustment upon partial disposal of an associate		**(32)**	–
Reclassification adjustment upon disposal of a jointly controlled entity		**–**	(7,219)
Available-for-sale investments			
Share of revaluation of available-for-sale investments of associates		**(14,329)**	15,417
Reclassification adjustment upon partial disposal of an associate		**(1,024)**	–
Fair value gain on available-for-sale investments		**–**	8,838
Reclassification adjustment on sale of available-for-sale investments		**–**	(57,162)
Revaluation of property			
Gain on revaluation upon transfer from property, plant and equipment to investment properties		**18,629**	6,048
Deferred tax upon transfer from property, plant and equipment to investment properties		**(2,794)**	–
Other comprehensive income (expense) for the year		**13,941**	(33,151)
Total comprehensive income for the year		**22,772**	109,801

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2010

	NOTE	2010 HK$'000	2009 HK$'000 (Restated)
Profit for the year attributable to:			
Owners of the Company			
– Profit for the year from continuing operations		**20,893**	11,113
– (Loss) profit for the year from discontinued operations		**(11,386)**	130,084
Profit for the year attributable to owners of the Company		**9,507**	141,197
Non-controlling interests			
– (Loss) profit for the year from continuing operations		**(670)**	1,294
– (Loss) profit for the year from discontinued operations		**(6)**	461
(Loss) profit for the year attributable to non-controlling interests		**(676)**	1,755
		8,831	142,952
Total comprehensive income attributable to:			
Owners of the Company		**22,332**	108,455
Non-controlling interests		**440**	1,346
		22,772	109,801
Earnings per share	16		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**0.44**	6.87
From continuing operations			
Basic and diluted (HK cents)		**0.98**	0.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Non-current assets				
Investment properties	17	**95,660**	40,900	10,508
Property, plant and equipment	18	**708,318**	97,145	231,813
Prepaid lease payments	19	**2,452**	2,536	3,780
Goodwill	20	**197,512**	193,110	235,364
Intangible assets	21	**406,695**	120,201	119,734
Deposits paid for acquisition of equipment	22(a)	**169,275**	353,870	105,903
Deposit paid for acquisition of a property	22(b)	**40,600**	–	–
Investments in associates	24	**68,758**	86,788	6,122
Investments in jointly controlled entities	25	**–**	–	151,742
Available-for-sale investments	27	**8,120**	16,849	15,974
Club debentures	28	**700**	700	630
Deferred tax assets	44	**5,283**	4,429	4,313
Other receivable	13(c)	**–**	31,298	–
		1,703,373	947,826	885,883
Current assets				
Prepaid lease payments	19	**84**	84	117
Inventories	29	**17,695**	63,289	150,553
Trade receivables	30(a)	**243,850**	291,120	368,980
Prepayments, deposits and other receivables	30(b)	**410,057**	620,390	120,237
Held-for-trading investments	31	**8,621**	4,826	14,219
Available-for-sale investments		**–**	–	116,221
Amounts due from customers for contract work	32	**383,969**	336,046	188,518
Amount due from an associate	33	**9,976**	–	47
Amount due from a jointly controlled entity		**–**	–	1,824
Tax recoverable		**1,725**	1,720	17
Pledged bank deposits	35	**245,142**	13,123	18,075
Bank balances and cash	36	**210,318**	408,475	155,979
		1,531,437	1,739,073	1,134,787
Current liabilities				
Trade and bills payables	37(a)	**246,357**	243,194	199,234
Other payables, deposits received and accruals	37(b)	**237,888**	97,873	103,343
Provision	13(c)	**7,643**	40,162	–
Amounts due to customers for contract work	32	**25,598**	28,847	24,544
Amount due to an associate	33	**–**	643	–
Loan from a related company		**–**	–	20,038
Convertible loan notes	39	**441,203**	–	–
Embedded derivative components of convertible loan notes	39	**28,490**	–	–
Tax liabilities		**26,132**	11,496	5,930
Bank borrowings – due within one year	38	**466,520**	130,256	285,415
Obligations under finance leases – due within one year		**–**	–	6,072
		1,479,831	552,471	644,576
Net current assets		**51,606**	1,186,602	490,211
Total assets less current liabilities		**1,754,979**	2,134,428	1,376,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	**31.12.2010** **HK$'000**	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Non-current liabilities				
Bank borrowings – due after one year	38	**329,440**	396,411	1,803
Convertible loan notes	39	**–**	395,025	319,656
Embedded derivative components of convertible loan notes	39	**–**	72,829	–
Obligation under finance leases – due after one year		**–**	–	11,736
Other payable	26(c)	**125,280**	–	–
Deferred tax liabilities	44	**4,359**	6,782	13,413
		459,079	871,047	346,608
Net assets		**1,295,900**	1,263,381	1,029,486
Capital and reserves				
Share capital	40	**535,535**	535,535	477,607
Reserves		**714,136**	683,418	534,598
Equity attributable to owners of the Company		**1,249,671**	1,218,953	1,012,205
Non-controlling interests		**46,229**	44,428	17,281
Total equity		**1,295,900**	1,263,381	1,029,486

The consolidated financial statements on pages 53 to 202 were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

Li Shaofeng	**Chau Chit**
DIRECTOR	*DIRECTOR*

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	18	**1,149**	8,113
Investments in subsidiaries	23	**17,885**	73,979
Advances to subsidiaries	23	**347,523**	410,876
Club debentures	28	**700**	700
		367,257	493,668
Current assets			
Other receivables		**2,106**	2,724
Amounts due from subsidiaries	34	**750,788**	735,998
Bank balances and cash	36	**640**	42,484
		753,534	781,206
Current liabilities			
Other payables		**14,788**	6,586
Amounts due to subsidiaries	34	**17,704**	26,287
Convertible loan notes	39	**441,203**	–
Embedded derivative components of convertible loan notes	39	**28,490**	–
Bank borrowings – due within one year	38	**10,733**	3,696
		512,918	36,569
Net current assets		**240,616**	744,637
Total assets less current liabilities		**607,873**	1,238,305
Non-current liabilities			
Bank borrowings – due after one year	38	**–**	911
Convertible loan notes	39	**–**	395,025
Embedded derivative components of convertible loan notes	39	**–**	72,829
Deferred tax liabilities	44	**1,548**	6,426
		1,548	475,191
Net assets		**606,325**	763,114
Capital and reserves			
Share capital	40	**535,535**	535,535
Reserves	43	**70,790**	227,579
Equity attributable to owners of the Company		**606,325**	763,114

Li Shaofeng
DIRECTOR

Chau Chit
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2010

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 43)	Property revaluation reserve HK$'000	Other reserves HK$'000 (note a)	Translation reserve HK$'000	Capital reserve HK$'000 (note b)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	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 year	–	–	–	–	–	–	–	–	–	141,197	–	141,197	1,755	142,952
Share of revaluation of available-for-sale investments of associates	–	–	–	–	–	–	–	15,417	–	–	–	15,417	–	15,417
Exchange difference arising during the year	–	–	–	–	–	1,336	–	–	–	–	–	1,336	(409)	927
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	8,838	–	–	–	8,838	–	8,838
Reclassification adjustment on sale of available-for-sale investments	–	–	–	–	–	–	–	(57,162)	–	–	–	(57,162)	–	(57,162)
Gain on revaluation upon transfer from property, plant and equipment to investment properties	–	–	–	6,048	–	–	–	–	–	–	–	6,048	–	6,048
Reclassification adjustment upon disposal of a jointly controlled entity	–	–	–	–	–	(7,219)	–	–	–	–	–	(7,219)	–	(7,219)
Total comprehensive income (expense) for the year	–	–	–	6,048	–	(5,883)	–	(32,907)	–	141,197	–	108,455	1,346	109,801
Issue of new shares	57,500	34,500	–	–	–	–	–	–	–	–	–	92,000	–	92,000
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	–	5,597	–	–	5,597	–	5,597
Exercise of share options	428	456	–	–	–	–	–	–	(188)	–	–	696	–	696
Lapse of share options	–	–	–	–	–	–	–	–	(4,393)	4,393	–	–	–	–
Arising from acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(973)	(973)
Disposal of partial interest in a subsidiary (note 42)	–	–	–	–	–	–	–	–	–	–	–	–	27,190	27,190
Disposal of interest in a subsidiary (note 45(c))	–	–	–	–	–	–	–	–	–	–	–	–	(6,975)	(6,975)
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	6,559	6,559
At 31 December 2009 and 1 January 2010	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 (loss) for the year	–	–	–	–	–	–	–	–	–	9,507	–	9,507	(676)	8,831
Share of translation difference of associates	–	–	–	–	–	438	–	–	–	–	–	438	–	438
Share of revaluation of available-for-sale investments of associates	–	–	–	–	–	–	–	(14,329)	–	–	–	(14,329)	–	(14,329)
Exchange difference arising during the year	–	–	–	–	–	11,937	–	–	–	–	–	11,937	1,116	13,053
Gain on revaluation upon transfer from property, plant and equipment to investment properties	–	–	–	18,629	–	–	–	–	–	–	–	18,629	–	18,629
Deferred tax upon transfer from property, plant and equipment to investment properties	–	–	–	(2,794)	–	–	–	–	–	–	–	(2,794)	–	(2,794)
Reclassification adjustment upon partial disposal of an associate	–	–	–	–	–	(32)	–	(1,024)	–	–	–	(1,056)	–	(1,056)
Total comprehensive income (expense) for the year	–	–	–	15,835	–	12,343	–	(15,353)	–	9,507	–	22,332	440	22,772
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	–	8,386	–	–	8,386	–	8,386
Lapse of share options	–	–	–	–	–	–	–	–	(907)	907	–	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	1,361	1,361
At 31 December 2010	535,535	644,864	2,084	21,883	360	55,149	53,690	64	38,938	(171,663)	68,767	1,249,671	46,229	1,295,900

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 years.

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit for the year		**8,831**	142,952
Adjustments for:			
Income tax expense (credit)		**17,616**	(3,213)
Amortisation of intangible assets		**10,912**	6,402
Decrease (increase) in fair value of held-for-trading investments		**5,313**	(16,192)
Depreciation of property, plant and equipment		**19,632**	37,600
Gain on disposal of partial interest of an associate		**(150)**	–
Loss on disposal of partial interest in a subsidiary	42	**–**	15,907
Gain on fair value change of the derivative components of convertible loan notes		**(44,339)**	(2,362)
Gain on disposal of a jointly controlled entity	47	**–**	(10,470)
Gain on disposal of available-for-sale investments	27	**(83)**	(34,295)
Gain on disposal of subsidiaries	45(f)	**(2,454)**	(207,564)
Recognition (reversal) of impairment loss in respect of trade receivables		**3,972**	(266)
Impairment loss in respect of amounts due from customers for contract work		**1,086**	7,514
Impairment loss in respect of intangible assets		**2,290**	–
Impairment loss in respect of investment in an associate		**–**	2,542
Impairment loss recognised in respect of investment in a jointly controlled entity		**–**	470
Increase in fair value of investment properties		**(1,377)**	(1,385)
Interest income		**(4,573)**	(1,073)
Interest on loan from a related company		**–**	209
Interest on bank borrowings and finance leases		**30,952**	23,137
Interest on convertible loan notes		**57,598**	45,892
(Gain) loss on disposal of property, plant and equipment		**(90)**	3,105
Release of prepaid lease payments		**85**	96
Share-based payment expense		**8,386**	5,597
Share of loss of associates		**114**	2,189
Share of loss of jointly controlled entities		**–**	3,727
Written off of inventories		**–**	21,593
Operating cash flows before movements in working capital		**113,721**	42,112
Increase in other payables, deposits received and accruals		**38,219**	12,211
Decrease (increase) in inventories		**47,072**	(21,566)
Decrease in trade receivables		**41,731**	78,099
Increase (decrease) in trade and bills payables		**6,921**	(8,789)
Increase in prepayments, deposits and other receivables		**(33,066)**	(143,619)
Increase in amounts due from customers for contract work		**(49,009)**	(27,953)
Decrease in amount due to an associate		**–**	690
Increase (decrease) in held-for-trading investments		**(9,103)**	25,585
(Decrease) increase in amounts due to customers for contract work		**(3,249)**	4,306
Decrease in amount due to a jointly controlled entity		**–**	(176)
Cash used in operations		**153,237**	(39,100)
Interest paid		**(41,603)**	(32,612)
PRC Income Tax paid		**(9,183)**	(3,191)
Hong Kong Profits Tax paid		**(231)**	(3,536)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**102,220**	(78,439)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (Restated)
INVESTING ACTIVITIES			
Net cash inflow on disposal of subsidiaries	45(e)	**124,240**	894
Proceeds from disposal of a jointly controlled entity (net of transaction costs)	47	**67,515**	83,281
Increase in deposit paid for acquisition of digital television system equipment		**(169,275)**	(248,142)
Proceeds from disposal of investment properties		**4,687**	3,835
Interest received		**4,573**	1,073
Proceed on disposal of partial interest of an associate		**2,599**	–
Proceeds from disposal of available-for-sale investments (net of transaction costs)		**565**	102,192
Proceeds from disposal of property, plant and equipment		**529**	978
Purchases of property, plant and equipment		**(315,939)**	(10,902)
(Increase) decrease in pledged bank deposits		**(232,019)**	4,956
Increase in deposit paid for acquisition of a property		**(40,600)**	–
Advance to an associate		**(9,976)**	–
Purchase of unlisted available-for-sale investments		**(5,729)**	(876)
Net cash outflow on acquisition of a subsidiary	46	**(4,675)**	–
Purchase of intangible assets		**(4,299)**	(6,730)
Investments in associates		**–**	(69,980)
Purchase of club debentures		**–**	(180)
NET CASH USED IN INVESTING ACTIVITIES		**(577,804)**	(139,601)
FINANCING ACTIVITIES			
New bank loans raised		**441,580**	533,258
Capital contribution from a non-controlling shareholder		**1,361**	6,559
Repayment of bank loans		**(185,663)**	(275,734)
Decrease in trust receipt loans		**(2,805)**	(17,780)
Repayment to an associate		**(643)**	–
Proceeds from issue of convertible loan notes		**–**	116,250
Proceeds from issue of shares		**–**	92,000
Proceeds from disposal of partial interests in a subsidiary	42	**–**	53,643
Exercise of share options		**–**	696
Acquisition of additional interest in a subsidiary		**–**	(1,079)
Repayment of obligations under finance leases		**–**	(17,808)
Repayment to a related company		**–**	(20,038)
NET CASH FROM FINANCING ACTIVITIES		**253,830**	469,967
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(221,754)**	251,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**408,475**	155,979
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**23,597**	569
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**210,318**	408,475

1. GENERAL

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

The Company is an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 23, 24 and 25, respectively.

The functional currency of the Company is Renminbi ("RMB") as the Company mainly holds investment in subsidiaries whose operations are primarily in the PRC.

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

In prior years, the Group was involved in the traditional business operation and high precision metal components operation. These operations were discontinued with effect from 30 June 2010 and 31 July 2010, respectively. Details are set out in notes 13(a) and 13(b). Accordingly, the comparative figures of the consolidated statement of comprehensive income for the year ended 31 December 2009 have been restated to reflect the discontinuance of these operations.

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group and the Company have applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect in these consolidated financial statements of the Group and the statement of financial position of the Company.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

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

Amendments to HKAS 7 Statement of Cash Flows

As a part of the consequential amendments of HKAS 27, HKAS 7 specifies that the cash flows arising from changes in ownership interest in a subsidiary that do not result in a loss of control should be classified as financing activities in the consolidated statement of cash flows. This change has been applied retrospectively. Accordingly, the cash consideration paid in the prior year of HK$1,079,000 for acquisition of additional interest in a subsidiary and proceeds from disposal of partial interests in a subsidiary of HK$53,643,000 have been reclassified from cash flows used in investing activities to cash flows used in financing activities.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions.

Specifically, HKFRS 3 (as revised in 2008) requires the Group's previously held equity interest in the acquiree to be remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) when a business combination is achieved in stages. The resulting gain or loss, if any, is recognised in profit or loss. In addition, HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the acquisition date (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

The application of HKFRS 3 (as revised in 2008) affected the Group's business combination in the current year. As explained in note 46, the Group acquired additional 31.5% equity interest in Concord Optic–Electronic Technology Co., Ltd ("Concord Optic") bringing its shareholding from 48.5% to 80%. Concord Optic became a subsidiary of the Company thereafter. The impact on profit for the year on remeasuring the Group's previously held 48.5% equity interest is insignificant. The Group has elected to measure the non-controlling interests at their proportionate share of the recognised amount of Concord Optic's identifiable net assets at the date of acquisition.

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

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. As there was no transaction during the current year in which HKAS 27 (as revised in 2008) are applicable, the application of HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements did not have any significant impact on the financial statements of the Group.

Results of the Group in future period may be affected by future transaction for which HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

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

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 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.

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 that 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$231,813,000 and approximately HK$97,145,000 respectively.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$4,938,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

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

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

New and revised Standards and Interpretations issued but not yet effective *(Continued)*

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the application of the new Standard will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of the Group's other financial assets but not on the Group's financial liabilities.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for Investment Properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investments in associates

An associate is an entity over which an investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Joint ventures

Jointly controlled operations

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

Jointly controlled entities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

Jointly controlled entities *(Continued)*

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Digital television ("DTV") business

Revenue generated from DTV business comprises primarily the followings:

Sales of DTV equipment

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

Provision of services and leasing of DTV equipment

New arrangement (as defined in note 26)

Income from the provision of DTV technical services and leasing of DTV equipment is recognised based on the Group's entitlement to receive the monthly service income.

Old Cooperation Agreement (as defined in note 26)

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

Installation contracts

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Installation contracts (Continued)

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use which is regarded as held for capital appreciation purpose.

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

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of lease terms of land or 2%
Machinery, moulds and tools	4% – 20%
Equipment, furniture and fixtures	15% – 20%
Motor vehicles	20% to $33^{1}/_{3}$%
Leasehold improvements	Over the shorter of lease terms or 4%
DTV equipment	10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing (Continued)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are obtained. Contingent rentals arising under operating leases are recognised as an income in the period in which they are incurred.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Arrangement that contain a lease

An arrangement contains a lease whereby the fulfillment of which is dependent on a specific asset and conveys a right to use the asset in return for a payment or a series of payments. The Group assesses the classification of the lease as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to the assets have been transferred to the lessee. Leases in which the lessee does not guarantee any minimum lease payments and the entire rentals are contingent on the future amount of a factor that changes other than with the passage of time are classified as operating leases.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club debenture

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expense are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Exchange difference arising from the group entities that are not foreign operations would be released to the accumulated losses upon disposal.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

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

Taxation

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure (Continued)

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised directly in profit or loss.

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial asset held-for-trading.

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 90 to 360 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and bills payables, other payables, amounts due to subsidiaries, amount due to an associate, loan from a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes contain liability and equity components

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible loan notes contain liability and equity components (Continued)

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

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

Convertible loan notes contain liability component and derivative components

Convertible loan notes issued by the Group that contain both liability and derivative components (including conversion option derivative, bondholder's early redemption option derivative and compulsory conversion option derivative) are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and derivative components are recognised at fair value.

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

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Share-based payment transactions

Equity settled share-based payment transactions

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

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

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity settled share-based payment transactions *(Continued)*

Share options granted to consultants

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2010, the carrying amount of trade receivables are HK$243,850,000 (net of allowance for doubtful debts of HK$56,050,000) (2009: carrying amount of HK$291,120,000, net of allowance for doubtful debts of HK$53,573,000).

Fair value of derivative financial instrument

As describe in note 39(b), the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instrument not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative component of the convertible loan notes, binomial model is used for valuation of the component which involves several key assumptions and estimates including share price volatility, dividend yield and risk free rate.

Amortisation of contract acquisition costs included in intangible assets and depreciation of DTV equipment

In determining the amount of amortisation and depreciation of contract acquisition cost and DTV equipment (such as digital television signal receiving systems, set-up boxes, and other digital TV accessories), the management of the Group evaluates the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Amortisation of contract acquisition costs included in intangible assets and depreciation of DTV equipment *(Continued)*

The management estimated that the revenue from DTV business on provision of DTV technical services and equipment would remain relatively constant throughout the contract period of 20 years of the new cooperation agreements after the reorganisation of the DTV business model. This estimate is based on a cash flow projection at a constant annual growth rate of 3% covering a 20-year period actual revenue for the year ended 31 December 2010 and a discount rate of 14.07% and the Group's right to receive a pre-determined percentage of New Income (as defined in note 26) from the 1st to the 15th year and at estimated 50% of New Income from the 16th to the 20th year.

On the basis that the future economic benefits expected to generate from the assets are expected to be evenly distributed throughout the contract period, the management determined to depreciate the DTV equipment and amortise the new contract acquisition cost on a straight line basis over their estimated useful lives and contract period, respectively. At the end of the reporting period, the management reviews the depreciation method, estimated useful lives and the estimated revenue from DTV business, with the effect of any change in estimates accounted for on a prospective basis.

5. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings and convertible loan notes disclosed in notes 38 and 39, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2010 HK$'000	2009 HK$'000
THE GROUP		
Financial assets		
FVTPL		
Held-for-trading investments	**8,621**	4,826
Loans and receivables (including cash and cash equivalents)	**963,316**	1,195,442
Available-for-sale financial assets	**8,120**	16,849
Financial liabilities		
Embedded derivative components of convertible loan notes	**28,490**	72,829
Amortised cost	**1,775,840**	1,213,101
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,100,074**	1,190,059
Financial liabilities		
Embedded derivative components of convertible loan notes	**28,490**	72,829
Amortised cost	**469,640**	425,919

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases. In addition, certain bank balances, trade receivables, trade payables, deferred consideration, bank borrowings, embedded derivative components of convertible loan notes and convertible loan notes of the Group are denominated in foreign currency, which expose the Group to foreign currency risk.

The Company's foreign currency risk exposure is mainly derived from bank balances, amounts due from (to) subsidiaries, bank borrowings, embedded derivative components of convertible loan notes and convertible loan notes. The management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

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

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
European dollar ("EURO")	**–**	–	**3,912**	–
RMB	**–**	11,364	**–**	4,992
US$	**207,305**	329,322	**327,005**	125,817
HK$	**1,820**	50,570	**375,616**	347,879
THE COMPANY				
EURO	**–**	–	**3,912**	–
US$	**15**	706	**100,898**	124,604
HK$	**1,088,502**	1,189,352	**393,320**	374,145

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2009: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2009: increase in post-tax profit) where RMB strengthen 5% (2009: 5%) against the relevant currency. For a 5% (2009: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit (2009: post-tax profit) and the balances below would be negative.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

***Market risk** (Continued)*

***(i) Currency risk** (Continued)*

Sensitivity analysis (Continued)

	RMB		Euro		US$		HK$	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
THE GROUP								
Increase (decrease) in post-tax profit (i)	**–**	266	**163**	–	**4,997**	(8,496)	**15,606**	12,413
THE COMPANY								
Decrease (increase) in post-tax loss (ii)	**–**	–	**163**	–	**4,212**	5,173	**(29,024)**	(34,035)

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

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

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

US$ denominated deferred consideration (included in other receivable) arose from disposal of Remarkable Mask Technology Company Limited ("Remarkable") in the second quarter of year 2009 resulting in significant amount of US$ denominated assets at 31 December 2010 and 2009.

US$ denominated convertible loan notes were issued in the second quarter of year 2009 resulting in significant amount of US$ denominated liabilities at 31 December 2010 and 2009.

Also, new US$ denominated bank borrowings raised in 2010 resulted in significant increase in US$ denominated liabilities at 31 December 2010.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and fixed-rate convertible loan notes. Whereas the Company is exposed to fair value interest rate risk in relation to fixed-rate convertible loan notes.

The Group and the Company are also exposed to cash flow interest rate risk due to the fluctuation of market interest rate on certain variable-rate pledged bank deposits, certain variable-rate bank balances and certain variable-rate bank borrowings.

It is the Group's and the Company's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to optimise the fair value and cash flow interest rate risk. The management considers that the cash flow interest rate risk arising from pledged bank deposits and bank balances is insignificant having regard to the stable trend in interest rates and thus no material fluctuation is anticipated in the near future.

Accordingly, the sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2009: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank borrowings.

If interest rates on variable-rate bank borrowings had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

THE GROUP

The Group's post-tax profit for the year ended 31 December 2010 would decrease/increase by approximately HK$3,144,000 (2009: HK$1,670,000).

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate borrowings.

THE COMPANY

The Company's post-tax loss for the year would increase/decrease by approximately HK$45,000 (2009: HK$19,000).

(iii) Other price risk

(a) Price risk on equity securities

The Group is exposed to equity price risk through its investments in listed equity securities and available-for-sale investments. As the fair value of the available-for-sale investments cannot be measured reliably, they are stated at cost less impairment at the end of the reporting period. The Group's equity price risk in held-for-trading investments are mainly concentrated on equity instruments issued by entities operating in natural resources industry sector and manufacturing industry sector issued by entities listed on the Stock Exchange of Hong Kong Limited and the Stock Exchange of Shanghai. The management manages this exposure by maintaining a portfolio of investments with different risks and closely monitoring the share price movements of those securities relating to investments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks on listed equity investments at the end of the reporting period. A sensitivity rate of 10% (2009: 10%) is applied in the analysis.

If the equity prices of the equity instruments had been 10% (2009: 10%) higher/lower, post-tax profit for the year ended 31 December 2010 would increase/decrease by approximately HK$719,000 (2009: HK$482,000) as a result of the changes in fair value of held-for-trading investments.

The Group's sensitivity to held-for-trading investments has not changed significantly from the prior year.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk *(Continued)*

(b) Price risk on embedded derivatives components of the Convertible Bond (defined under note 39(b))

For the years ended 31 December 2010 and 2009, the Group and the Company are required to estimate the fair value of the derivative component of the Convertible Bond, including conversion option, early redemption option and compulsory conversion option, with changes in fair value to be recognised in the profit or loss as long as the Convertible Bond is outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

Sensitivity analysis

If the share price of the Company had been 10% (2009: 10%) higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax profit for the year would decrease by approximately HK$2,542,000/increase by approximately HK$2,343,000 (2009: post-tax profit decrease by approximately HK$2,800,000/increase by approximately HK$4,086,000) and the Company's post-tax loss would increase by approximately HK$2,542,000/decrease by approximately HK$2,343,000 (2009: post-tax loss increase by approximately HK$2,800,000/decrease by approximately HK$4,086,000), as a result of changes in fair value of the derivative component of the Convertible Bond.

If the volatility of share price of the Company had been 10% (2009: 10%) higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax profit for the year would decrease by approximately HK$1,431,000/increase by approximately HK$1,963,000 (2009: post-tax profit decrease by approximately HK$1,634,000/increase by approximately HK$2,493,000) and the Company's post-tax loss would increase by approximately HK$1,431,000/increase by approximately HK$1,963,000 (2009: post-tax loss increase by approximately HK$1,634,000/decrease by approximately HK$2,493,000), as a result of changes in fair value of the derivative component of the Convertible Bond.

In management's opinion, the sensitivity analysis above is unrepresentative of the inherent price risk as the pricing model used in the valuation of these embedded derivatives involves multiple variables and certain variables are interdependent.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2010 and 2009, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge obligations by the counterparties and financial guarantees provided by the Group and the Company arises from:

- the carrying amount of the respective recognised financial assets as stated in the Company's and consolidated statement of financial position; and

- the amount of contingent liabilities in relation to the financial guarantee issued by the Group and the Company as disclosed in note 51.

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

The Group's credit risk is also attributable to the deferred cash consideration due from independent third parties as disclosed in notes 13(c) and 30(b). The management will monitor closely the repayment schedule of the deferred cash consideration to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has a concentration of credit risk arising from the deferred cash consideration receivables due from a single counterparty as disclosed in note 13(c).

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

In addition, the Group has concentration of credit risk in relation to the trade receivables at approximately 50% (2009: 11%) of the total trade receivables as at 31 December 2010 was due from the Group's largest customer of the DTV technical solutions and equipment business. The Group will monitor the level of exposures to ensure that follow up actions and/or corrective are taken promptly to lower the risk exposure or to recover the overdue balances. Other than the above, the Group has no other significant concentration of credit risks, with exposure spread over a large number of counterparties on trade receivables.

The Company has no concentration of credit risk, with exposure spread over a large number of counterparties for the years ended 31 December 2010 and 31 December 2009.

The directors consider that the credit risk exposure arising from financial guarantee granted by the Group and the Company is not material because the lenders as disclosed in note 51 have strong financial positions and the risk of default payment is low.

Liquidity risk

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

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up on the earliest date on which the Group and the Company can be required to pay. The undiscounted cash flows include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cash flows are estimated by using interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2-5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010								
Trade and bills payables	–	245,105	1,252	–	–	–	246,357	246,357
Other payables	–	–	167,040	125,280	–	–	292,320	292,320
Bank borrowings								
– fixed rate	5.70	26,783	16,815	–	–	–	43,598	42,920
– variable rate (note 3)	4.91	41,576	411,421	94,234	255,416	23,774	826,421	753,040
Convertible loan notes (note 1)								
– Loan notes denominated in HK$	11.64	–	388,386	–	–	–	388,386	375,616
– Loan notes denominated in US$	33.60	–	–	–	136,870	–	136,870	94,077
Financial guarantee contracts (note 2)	–	11,600	52,200	–	–	–	63,800	–
		325,064	1,037,114	219,514	392,286	23,774	1,997,752	1,804,330

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2-5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009								
Trade and bills payables	–	243,194	–	–	–	–	243,194	243,194
Other payables	–	47,572	–	–	–	–	47,572	47,572
Amount due to an associate	–	643	–	–	–	–	643	643
Bank borrowings								
– fixed rate	4.80	25,564	103,158	–	–	–	128,722	126,560
– variable rate (note 3)	6.50	7,562	22,048	99,314	265,936	102,115	496,975	400,107
Convertible loan notes (note 1)								
– Loan notes denominated in HK$	11.64	–	11,550	388,386	–	–	399,936	346,055
– Loan notes denominated in US$	33.60	–	–	–	169,145	–	169,145	121,799
Financial guarantee contracts (note 2)	–	–	46,330	–	–	–	46,330	–
		324,535	183,086	487,700	435,081	102,115	1,532,517	1,285,930

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

THE COMPANY

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2-5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010								
Amounts due to subsidiaries	–	17,704	–	–	–	–	17,704	17,704
Bank borrowings – variable rate (note 3)								
– Trust receipt loan	3.80	10,772	–	–	–	–	10,772	10,733
Convertible loan notes (note 1)								
– Loan notes denominated in HK$	11.64	–	388,386	–	–	–	388,386	375,616
– Loan notes denominated in US$	33.60	–	–	–	136,870	–	136,870	94,077
Financial guarantee contracts (note 2)	–	51,160	145,000	76,560	229,680	81,200	583,600	–
		79,636	533,386	76,560	366,550	81,200	1,137,332	498,130

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2-5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009								
Amounts due to subsidiaries	–	26,287	–	–	–	–	26,287	26,287
Bank borrowings – variable rate (note 3)								
– Trust receipt loan	5.00	871	1,974	–	–	–	2,845	2,805
– Bank borrowing	2.50	231	692	922	–	–	1,845	1,802
Convertible loan notes (note 1)								
– Loan notes denominated in HK$	11.64	–	11,550	388,386	–	–	399,936	346,055
– Loan notes denominated in US$	33.60	–	–	–	169,145	–	169,145	121,799
Financial guarantee contracts (note 2)	–	–	–	74,580	223,740	153,680	452,000	–
		27,389	14,216	463,888	392,885	153,680	1,052,058	498,748

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Notes:

1. The undiscounted cash flows of convertible loan notes represent the redemption amount at maturity date translated at the prevailing exchange rate at the end of reporting period on the assumption that there would be no conversion or no early redemption. The carrying amount of convertible loan notes denominated in HK$ represents the liability components carried at amortised cost with an effective interest rate of 11.64% whereas the carrying amount of convertible bond denominated in US$ represents the liability components carried at amortised cost with an effective interest rate of 33.6% and the fair value of the derivatives embedded in the convertible loan notes (details are set out in note 39).

2. The undiscounted cash flows on financial guarantee contracts have been categorised into time bands based on the earliest date the bank borrowings obtained by subsidiaries/third parties are due for repayment in accordance with loan repayment schedule agreed with respective lenders.

   The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

3. The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value

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

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

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments is determined using Binomial model based on assumptions set out in note 39.

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
THE GROUP				
Financial assets at FVTPL				
Held-for-trading investments	**8,621**	**–**	**–**	**8,621**
THE GROUP AND THE COMPANY				
Financial liabilities at FVTPL				
Embedded derivative components of convertible loan notes	**–**	**–**	**28,490**	**28,490**

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

	31 December 2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP				
Financial assets at FVTPL				
Held-for-trading investments	4,826	–	–	4,826
THE GROUP AND THE COMPANY				
Financial liabilities at FVTPL				
Embedded derivative components of convertible loan notes	–	–	72,829	72,829

There were no transfers between Level 1 and 2 for the Group and the Company in 2010 and 2009.

Reconciliation of Level 3 fair value measurements of derivative components of convertible loan notes

	Derivative components of convertible loan notes
	HK$'000
THE GROUP AND THE COMPANY	
At 1 January 2009	–
Issue of convertible loan notes	75,191
Gain arising on changes of fair value	(2,362)
Carrying amount at 31 December 2009 and 1 January 2010	72,829
Gain arising on changes of fair value	(44,339)
Carrying amount at 31 December 2010	28,490

7. REVENUE

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

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Revenue from intelligent business	**316,645**	284,811
Revenue from DTV business		
– Provision of DTV technical services under the Old Cooperation Agreement (as defined in note 26)	**106,068**	85,331
– Provision of DTV technical services and leasing of DTV equipment under the New Arrangement (as defined in note 26)	**50,077**	–
– Sales of DTV equipment	**100,119**	15,144
– Sales of spare parts	**6,504**	–
Property rental income	**1,255**	1,284
	580,668	386,570

8. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

Others – Provision of management services, manufacture and distribution of printed circuit boards, and leasing of investment properties.

In the prior year, printed circuit boards business was reviewed separately by the CODM and constituted an operating segment of the Group. In 2010, CODM decided to combine and review the segment information of "printed circuit boards" and "others" as one single operating segment. The segment information in respect of "others" in 2009 has been restated to conform to the current year's presentation.

In 2010, two operating segments, the traditional business and high precision metal components were discontinued. In 2009, an operating segment, the photomask business, was discontinued. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in note 13.

8. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results

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

For the year ended 31 December 2010

Continuing operations

	DTV technical solutions and equipment business HK$'000	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
SEGMENT REVENUE				
External sales	262,768	316,645	1,255	580,668
Inter-segment sales	–	–	–	–
Total	262,768	316,645	1,255	580,668
Segment profit (loss)	114,917	18,309	(50,963)	82,263
Unallocated income				5,579
Decrease in fair value of held-for-trading investments				(5,313)
Gain on disposal of available-for-sale investments				83
Gain on disposal of subsidiaries				479
Gain on fair value change of the derivative components of convertible loan notes				44,339
Share of loss of associates				(114)
Finance costs				(89,695)
Profit before tax (continuing operations)				37,621

8. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results *(Continued)*

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

For the year ended 31 December 2009

Continuing operations

	DTV technical solutions and equipment business HK$'000	Intelligent information business HK$'000	Others HK$'000 (Restated)	Elimination HK$'000 (Restated)	Total HK$'000 (Restated)
SEGMENT REVENUE					
External sales	100,475	284,811	1,284	–	386,570
Inter-segment sales	2,350	–	960	(3,310)	–
Total	102,825	284,811	2,244	(3,310)	386,570
Segment profit (loss)	58,583	16,105	(38,020)	–	36,668
Unallocated income					3,952
Unallocated expense					(470)
Increase in fair value of held-for-trading investments					16,192
Gain on disposal of available-for-sale investments					34,295
Loss on disposal of partial interest in a subsidiary					(15,907)
Gain on fair value change of the derivative components of convertible loan notes					2,362
Share of loss of associates					(2,189)
Finance costs					(67,313)
Profit before tax (continuing operations)					7,590

8. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results *(Continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of certain income and expense (including income from provision of utility services, net of foreign exchange gain), fair value change in held-for-trading investments, gains or losses on disposal of available-for-sale investments/interest in subsidiaries, gain on fair value changes of the derivative component of convertible loan notes, share of result of associates and finance costs. This is the measure reported by the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

In 2009, inter-segment sales were charged at prevailing market price. There was no inter-segment sales in 2010.

(b) Segment assets and liabilities

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
Segment assets		
Continuing operations		
DTV technical solutions and equipment business	**1,483,812**	871,329
Intelligent information business	**883,118**	784,947
Others	**96,999**	37,466
Total segment assets	**2,463,929**	1,693,742
Reconciliation of segment total to group total:		
Assets relating to discontinued operations		
Traditional business (note 13)	**–**	52,116
High precision metal components (note 13)	**–**	15,214
	2,463,929	1,761,072
Unallocated assets:		
Investments in associates	**68,758**	86,788
Bank balances and cash	**210,318**	408,475
Available-for-sale investments	**8,120**	16,849
Pledged bank deposits	**245,142**	13,123
Held-for-trading investments	**8,621**	4,826
Deferred tax assets	**5,283**	4,429
Deferred consideration	**222,215**	388,917
Other unallocated assets	**2,424**	2,420
Consolidated assets	**3,234,810**	2,686,899

8. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

	31.12.2010	31.12.2009
	HK$'000	HK$'000
Segment liabilities		
Continuing operations		
DTV technical solutions and equipment business	**336,932**	84,173
Intelligent information business	**278,532**	261,595
Others	**27,302**	45,248
Total segment liabilities	**642,766**	391,016
Reconciliation of segment total to group total:		
Liabilities relating to discontinued operations		
Traditional business (note 13)	**–**	13,211
High precision metal components (note 13)	**–**	6,492
	642,766	410,719
Unallocated liabilities:		
Bank borrowings	**795,960**	526,667
Convertible loan notes (including embedded derivative components)	**469,693**	467,854
Tax liabilities	**26,132**	11,496
Deferred tax liabilities	**4,359**	6,782
Consolidated liabilities	**1,938,910**	1,423,518

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

- all assets are allocated to reportable segments other than investments in associates, bank balances and cash, available-for-sale investments, pledged bank deposits, held-for-trading investments, deferred consideration, deferred tax assets and other unallocated assets; and

- all liabilities are allocated to reportable segments other than bank borrowings, convertible loan notes, tax liabilities and deferred tax liabilities.

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

2010

Continuing operations

	DTV technical solutions and equipment business HK$'000	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure (note)	955,803	9,959	3,906	969,668
Depreciation of property, plant and equipment	10,275	2,408	3,064	15,747
Amortisation of intangible assets	8,456	2,456	–	10,912
Increase in fair value of investment properties	1,374	–	3	1,377
Gain on disposal of property, plant and equipment	–	(90)	–	(90)
Impairment loss on amounts due from customers for contract work	–	1,086	–	1,086
Impairment loss in respect of other receivables	–	–	3,775	3,775
Impairment loss in respect of intangible assets	–	2,290	–	2,290
Impairment loss in respect of trade receivables	–	3,764	–	3,764
Share-based payment expenses	–	–	8,386	8,386
Release of prepaid lease payments	–	–	22	22

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

2009

Continuing operations

	DTV technical solutions and equipment business HK$'000	Intelligent information business HK$'000	Others HK$'000 (Restated)	Total HK$'000 (Restated)
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure (note)	25,894	8,184	53,306	87,384
Depreciation of property, plant and equipment	1,777	1,601	4,507	7,885
Amortisation of intangible assets	6,106	296	–	6,402
Increase in fair value of investment properties	–	–	1,385	1,385
Loss on disposal of property, plant and equipment	61	2,551	515	3,127
Reversal of impairment loss in respect of trade receivables	(919)	–	–	(919)
Release of prepaid lease payments	–	–	34	34
Share-based payment expenses	–	–	5,597	5,597
Impairment loss in respect of amounts due from customers for contract work	–	7,514	–	7,514

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets and investments in associates.

(d) Revenue from major products and services

The analysis of the Group's revenue from continuing operations from its major products and services has been disclosed in note 7.

8. SEGMENT INFORMATION *(Continued)*

(e) Geographical information

The Group's operations are located in Hong Kong and the PRC (country of domicile).

The Group's revenue from continuing operations from the external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 31.12.2010 HK$'000	Year ended 31.12.2009 HK$'000 (Restated)	**31.12.2010 HK$'000**	31.12.2009 HK$'000
The PRC (country of domicile)	**580,568**	386,321	**1,449,557**	798,606
Hong Kong	**100**	249	**71,138**	58,271
	580,668	386,570	**1,520,695**	856,877

Note: Non-current assets excluded those relating to discontinued operations, financial instruments and deferred tax assets.

(f) Information about a major customer

Revenue from a customer contributing over 10% of the total sales of the Group for the year ended is as follows:

	2010 HK$'000	2009 HK$'000
Revenue from a customer attributable to DTV business	**156,145**	85,331

9. OTHER INCOME, GAIN AND LOSSES

	2010 HK$'000	2009 HK$'000
Continuing operations		
Impairment loss in respect of other receivable (note 8(c) &13(c))	**(3,775)**	–
(Recognition) reversal of impairment loss in respect of trade receivables	**(3,764)**	919
Impairment loss in respect of intangible assets	**(2,290)**	–
Research and development costs	**(1,806)**	(1,794)
Impairment loss in respect of amounts due from customers for contract work	**(1,086)**	(7,514)
Net foreign exchange gain	**2,202**	3,911
Interest on deposit paid for acquisition of a property	**3,382**	–
Reversal (recognition) of impairment loss in an associate (note 24)	**2,542**	(2,542)
Interest on bank deposits	**1,191**	1,005
Imputed interest income	**885**	–
Income from provision of utility services	**612**	–
Proceeds from sale of scrap	**299**	–
Gain (loss) on disposal of property, plant and equipment	**90**	(3,127)
Gain on disposal of partial interest in an associate (note 24)	**150**	–
Recovery from insurance claim (note)	**–**	3,593
Others	**3,505**	1,855
	2,137	(3,694)

Note: Amounts represented recovery from insurance claim arising from a flooding happened in the Group's factory in Dongguan, the PRC which caused significant damage to inventories of the Group in 2008. The amounts were confirmed by and received from the insurance company in 2009.

10. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Interest on:		
Bank borrowings		
– wholly repayable within five years	**30,715**	18,340
– wholly repayable over five years	**1,236**	2,872
Convertible loan notes (note 39)	**57,598**	45,892
Others	**146**	209
	89,695	67,313

11. INCOME TAX EXPENSE (CREDIT)

	2010	2009
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Current tax:		
Hong Kong	**–**	165
Other regions in the PRC	**23,342**	1,884
	23,342	2,049
Under(over) provision in prior years:		
Hong Kong	**5**	1,304
Other regions in the PRC	**–**	(1,549)
	5	(245)
Deferred tax (note 44)		
Current year	**(5,949)**	(6,621)
	17,398	(4,817)

11. INCOME TAX EXPENSE (CREDIT) *(Continued)*

No provision for Hong Kong Profits Tax is made for the current year as there are no assessable profits arising in Hong Kong.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2010.

Under the Law of the People's Republic of China on Enterprise Income Tax ("the EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for the followings:

(a) Pursuant to the relevant laws and regulations in the PRC, a principal subsidiary of the Company is exempted from PRC income tax for two years starting from its first profit-making year in 2008, followed by a 50% reduction in the applicable tax rate for the next three years. The tax holidays and concession will expire in 2012.

(b) A major operating subsidiary in the PRC was qualified as High and New Technology Enterprises since 2008 and is entitled to a preferential income tax rate of 15% for 3 consecutive years from 2008 onwards.

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

11. INCOME TAX EXPENSE (CREDIT) *(Continued)*

The tax expense (credit) for the year can be reconciled to the profit before tax from continuing operations as follows:

	2010	2009
	HK$'000	HK$'000
Profit before tax (from continuing operations)	**37,621**	7,590
Tax at the domestic income tax rate of 25%	**9,405**	1,897
Tax effect of expenses not deductible for tax purposes	**6,130**	13,453
Tax effect of income not taxable for tax purposes	**(8,976)**	(20,112)
Tax effect of share of results of associates	**29**	547
Utilisation of tax losses not recognised in previous years	**(16)**	(4,301)
Tax effect of tax losses not recognised	**20,628**	22,328
Effect of different tax rates of subsidiaries operating in Hong Kong	**5,483**	3,943
Under (overprovision) in prior years	**5**	(245)
Income tax on concessionary rate	**(1,681)**	(994)
Effect of tax exemptions granted to PRC subsidiaries	**(13,666)**	(21,333)
Others	**57**	–
Tax expense (credit) for the year (relating to continuing operations)	**17,398**	(4,817)

12. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations has been arrived at after charging:

	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	39,919	25,179
– Share-based payments	8,386	5,597
– Retirement benefit scheme contributions	3,281	1,607
Total staff costs	51,586	32,383
Depreciation of property, plant and equipment	15,747	7,885
Amortisation of intangible assets (included in cost of sales)	10,912	6,402
Total depreciation and amortisation	26,659	14,287
Auditor's remuneration	3,172	1,717
Cost of inventories recognised as expenses	134,130	14,001
Contract costs recognised as expenses	239,096	214,880
Release of prepaid lease payments	22	34

13. DISCONTINUED OPERATIONS

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

	2010	2009
	HK$'000	HK$'000
		(Restated)
Loss of traditional business (note a)	**(13,594)**	(41,455)
Profit of high precision metal components business (note b)	**2,202**	2,192
Profit of photomask business (note c)	**–**	169,808
(Loss) profit for the year from discontinued operations	**(11,392)**	130,545
(Loss) profit for the year from discontinued operations attributable to:		
Owners of the Company	**(11,386)**	130,084
Non-controlling interests	**(6)**	461
	(11,392)	130,545

13. DISCONTINUED OPERATIONS *(Continued)*

Notes:

(a) On 30 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 a discontinued operation for the year ended 31 December 2009.

The results of the traditional business operation for the period from 1 January 2010 to 30 June 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 30.6.2010 HK$'000	Year ended 31.12.2009 HK$'000
Revenue	**209**	29,185
Cost of sales	**(17,072)**	(78,526)
Gross loss	**(16,863)**	(49,341)
Other income, gains and losses	**4,604**	5,686
Selling and distribution costs	**(27)**	(842)
Administrative expenses	**(1,306)**	(3,824)
Finance costs	**(2)**	(179)
Gain on disposal of subsidiaries	**–**	1,903
Gain on disposal of a jointly controlled entity (note 47)	**–**	10,470
Share of loss of jointly controlled entities	**–**	(3,727)
	(13,594)	(39,854)
Income tax expense	**–**	(1,601)
Loss for the year	**(13,594)**	(41,455)

13. DISCONTINUED OPERATIONS *(Continued)*

(a) *(Continued)*

Cash flows for the period/year from traditional business were as follows:

	1.1.2010 to 30.6.2010 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Net cash outflows from operating activities	**(2,893)**	(11,458)

(b) On 8 July 2010, the Company entered into an agreement to sell its entire interest in a wholly-owned subsidiary, Hop Cheong Holdings Limited ("Hop Cheong"), to an independent third party at a consideration of approximately HK$10,384,000. Hop Cheong carried out all of the Group's high precision metal components business. The disposal was completed on 31 July 2010, on which date control was passed to the purchaser.

The profit for the year from the discontinued operation relating to high precision metal components operation is analysed as follows:

	Year ended 31.12.2010 HK$'000	Year ended 31.12.2009 HK$'000
Profit of high precision metal components operation	**227**	2,192
Gain on disposal of high precision metal components operation	**1,975**	–
	2,202	2,192

13. DISCONTINUED OPERATIONS *(Continued)*

(b) *(Continued)*

The results of the high precision metal components operation for the period from 1 January 2010 to 31 July 2010, which have been included in the consolidated statement of comprehensive income were as follows:

	Period ended 31.7.2010 HK$'000	Year ended 31.12.2009 HK$'000
Revenue	**12,129**	25,916
Cost of sales	**(7,568)**	(19,012)
Gross profit	**4,561**	6,904
Other income, gains and losses	**94**	3,011
Selling and distribution costs	**(244)**	(249)
Administrative expenses	**(3,966)**	(7,461)
Finance costs	**–**	(10)
	445	2,195
Income tax expense	**(218)**	(3)
Profit for the year	**227**	2,192

Cash flow for the period/year from Hop Cheong:

	1.1.2010 to 31.7.2010 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Net cash (outflows) inflows from operating activities	**(7,174)**	4,338
Net cash inflows from investing activities	**3,240**	4
Net cash outflows from financing activities	**(4)**	(10)
Net cash (outflows) inflows	**(3,938)**	4,332

13. DISCONTINUED OPERATIONS *(Continued)*

(b) *(Continued)*

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

	31.7.2010
	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,927
Inventories	3,004
Trade receivables	4,534
Other receivables	280
Bank balances and cash	4,620
Trade payables	(3,753)
Other payables and accruals	(2,203)
	8,409
Gain on disposal	1,975
Total consideration	10,384
Satisfied by:	
Cash consideration	10,384
Net cash inflow arising on disposal:	
Cash consideration	10,384
Bank balances and cash disposed of	(4,620)
	5,764

13. DISCONTINUED OPERATIONS *(Continued)*

(c) On 27 April 2009, a subsidiary of the Company entered into a sale agreement to dispose of its entire interest in Remarkable, a wholly owned subsidiary of the Group, which carried out all of the Group's manufacture and sale of photomask products business, to an independent third party at a consideration of US$42,000,000. The disposal was completed on 11 June 2009, on which date control of Remarkable was passed to the purchaser.

The profit for the period from the discontinued operation relating to photomask business is analysed as follows:

	1.1.2009 to 11.6.2009 HK$'000
Loss of photomask operation	(37,096)
Gain on disposal of photomask operation	206,904
	169,808

The results of the photomask operation for the period from 1 January 2009 to 11 June 2009, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2009 to 11.6.2009 HK$'000
Revenue	8,687
Cost of sales	(41,785)
Gross loss	(33,098)
Selling and distribution costs	(1,070)
Administrative expenses	(1,192)
Finance costs	(1,736)
Loss for the period	(37,096)

13. DISCONTINUED OPERATIONS *(Continued)*

(c) *(Continued)*

During the year ended 31 December 2009, Remarkable paid HK$7,000,000 to the Group's net operating cash flow and contributed HK$4,400,000 in respect of investing activities.

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

	11.6.2009
	HK$'000
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)
	62,752
Gain on disposal	206,904
Total consideration	269,656
Satisfied by:	
Deferred cash consideration (note 1)	319,914
Provision (note 2)	(50,000)
Transaction costs incurred for the disposal	(258)
	269,656
Net cash outflow arising on disposal:	
Bank balances and cash on disposal	(3,159)
Transaction costs paid on disposal	(258)
	(3,417)

13. DISCONTINUED OPERATIONS *(Continued)*

(c) *(Continued)*

Notes:

(1) At 31 December 2009, in accordance with the original repayment schedule stipulated in the sale and purchase agreement dated 27 April 2009, the purchaser had undertaken to settle the consideration of US$42,000,000 (equivalent to HK$325,500,000) as follows:

- 25% of the consideration, US$10,500,000 (equivalent to HK$81,375,000), will be payable by the purchaser on the 45th day after the execution of the sales and purchase agreement;
- 10% of the consideration, US$4,200,000 (equivalent to HK$32,550,000), will be payable by the purchaser on or before 30 September 2009;
- 20% of the consideration, US$8,400,000 (equivalent to HK$65,100,000), will be payable by the purchaser on or before 31 March 2010;
- 10% of the consideration, US$4,200,000 (equivalent to HK$32,550,000), will be payable by the purchaser on or before 30 June 2010;
- 25% of the consideration, US$10,500,000 (equivalent to HK$81,375,000), will be payable by the purchaser on or before 30 September 2010; and
- the balance of 10% of the consideration, US$4,200,000 (equivalent to HK$32,550,000), will be payable by the purchaser on or before 31 March 2011.

Up to 31 December 2010, the first two instalments receivables of US$14,700,000 (equivalent to approximately HK$113,925,000) were fully settled by the purchaser in February 2010, and the third instalment receivables of US$8,400,000 (equivalent to approximately HK$65,100,000) was settled by the purchaser in January and March 2011. All the machineries have been delivered to the purchaser. The purchaser has agreed to settle the remaining instalments receivables of US$18,900,000 (equivalent to approximately HK$146,475,000) in accordance with the revised repayment schedule pursuant to an undertaking dated 24 August 2010 signed by the purchaser, as follows:

- 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; 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.

13. DISCONTINUED OPERATIONS *(Continued)*

(c) *(Continued)*

Notes: *(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 (2009: nil) being charged to profit or loss in the current year and reported in other income, gains and losses account. The deferred consideration is included in other receivables, analysed as follows:

	31 December 2010		31 December 2009	
	US$'000	**HK$'000**	US$'000	HK$'000
Current asset	**25,995**	**202,499**	37,240	288,616
Non-current asset	**–**	**–**	4,038	31,298
	25,995	**202,499**	41,278	319,914

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

(2) Pursuant to the sale and purchase agreement on disposal of Remarkable, the Group is obliged to maintain the property, plant and equipment in good conditions until October 2011 (2009: March 2011). In order to meet this present obligation, management considered that the Group will incur expenditure (primarily staff costs and repair and maintenance expenses for maintaining the disposed property, plant and equipment in good conditions. Provision of HK$50,000,000 represented management's best estimate of the expenditure required to settle the obligation. During the year ended 31 December 2010, the Group incurred staff costs and repair and maintenance expenses of approximately HK$4,316,000 (2009: HK$3,037,000) and HK$28,203,000 (2009: HK$6,801,000) respectively, resulting in the balance of provision of approximately HK$7,643,000 (2009: HK$40,162,000) at 31 December 2010.

13. DISCONTINUED OPERATIONS *(Continued)*

(d) (Loss) profit for the year from discontinued operations included the followings:

	2010 HK$'000	2009 HK$'000 (Restated)
Staff cost, including directors' remuneration:		
– Salaries, wages and other benefits	4,390	28,397
– Retirement benefit scheme contributions	175	1,618
Total staff costs	4,565	30,015
Depreciation of property, plant and equipment	3,885	29,715
Auditor's remuneration	55	772
Cost of inventories recognised as expenses (including written off of inventories in 2010: HK$5,075,000, 2009: HK$21,593,000)	24,640	114,362
Release of prepaid lease payments	62	62
Impairment loss in respect of trade receivables	208	653

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 13 (2009: 11) directors are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (note 1)	Share-based payments HK$'000 (note 2)	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2010						
Cao Zhong (note 5)	–	859	–	–	50	909
Chau Chit	–	2,400	2,000	719	120	5,239
Mung Kin Keung	1,898	–	2,000	2,636	–	6,534
Chen Jang Fung (note 5)	54	–	–	–	–	54
Leung Kai Cheung	240	–	–	–	–	240
Leung Shun Sang, Tony	190	–	–	–	–	190
James Alan Chiddix (note 5)	54	–	–	–	–	54
Chan Wah Tip, Michael	200	–	–	–	–	200
Kan Lai Kuen, Alice (note 6)	105	–	–	–	–	105
Wong Kun Kim	240	–	–	–	–	240
Lee Fook Sun	150	–	–	–	–	150
Li Shaofeng (note 3)	–	1,540	1,800	5,031	77	8,448
Wong Wai Kwan (note 4)	135	–	–	–	–	135
	3,266	4,799	5,800	8,386	247	22,498

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (note 1)	Share-based payments HK$'000 (note 2)	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2009						
Cao Zhong (note 5)	–	2,400	1,200	–	120	3,720
Chau Chit	–	2,400	1,200	2,612	120	6,332
Mung Kin Keung	875	–	800	2,985	–	4,660
Chen Jang Fung (note 5)	150	–	–	–	–	150
Leung Kai Cheung	240	–	–	–	–	240
Leung Shun Sang, Tony	190	–	–	–	–	190
James Alan Chiddix (note 5)	131	–	–	–	–	131
Chan Wah Tip, Michael	200	–	–	–	–	200
Kan Lai Kuen, Alice (note 6)	240	–	–	–	–	240
Wong Kun Kim	240	–	–	–	–	240
Lee Fook Sun	150	–	–	–	–	150
	2,416	4,800	3,200	5,597	240	16,253

Notes:

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

2. Share-based payments represent fair value of share options fully vested at grant date and expensed immediately to the profit or loss during the year. The share options were issued under the Company's share option scheme as detailed in note 41.

3. This director was appointed on 10 May 2010.

4. This director was elected on 8 June 2010.

5. These directors resigned on 10 May 2010.

6. This director retired on 8 June 2010.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group, four (2009: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2009: two) highest individuals which have the same salaries are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**845**	1,690
Contributions to retirement benefits schemes	**12**	24
	857	1,714

The emoluments of the employees were within the band from nil to HK$1,000,000.

No emoluments were paid by the Group to the directors or the five highest paid individuals as compensation for loss of office or as an inducement to join or upon joining the Group. None of the directors has waived any emoluments in either year.

15. DIVIDEND

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of reporting period (2009: nil).

16. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2010	2009
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to the owners of the Company)	**9,507**	141,197

The denominators used are the same as those detailed below for both basic and diluted earnings per share from continuing operations.

From continuing operations

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

	2010	2009
	HK$'000	HK$'000
		(Restated)
Earnings figures are calculated as follows:		
Profit for the year attributable to the owners of the Company	**9,507**	141,197
Less: (Loss) profit for the year from discontinued operations	**(11,386)**	130,084
Profit for the purposes of basic and diluted earnings per share from continuing operations	**20,893**	11,113

16. EARNINGS PER SHARE *(Continued)*

From continuing operations *(Continued)*

	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,142,141**	2,054,365

The calculation of diluted earnings per share from continuing operations does not assume the exercise of the outstanding share options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company for both years, nor the conversion of the outstanding convertible loan notes since their exercise would result in an increase in profit per share from continuing operations.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK 0.54 cents per share (2009: earnings of HK 6.33 cents per share).

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

	2010	2009
	HK$'000	HK$'000
		(Restated)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share attributable to owners of the Company	**(11,386)**	130,084

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

17. INVESTMENT PROPERTIES

	THE GROUP
	HK$'000
FAIR VALUE	
At 1 January 2009	10,508
Transferred from property, plant and equipment (note 18)	32,862
Disposals	(3,835)
Increase in fair value recognised in profit or loss	1,385
Exchange adjustment	(20)
At 31 December 2009 and 1 January 2010	40,900
Transferred from property, plant and equipment (note 18)	56,100
Disposals	(4,687)
Increase in fair value recognised in profit or loss	1,377
Exchange adjustment	1,970
At 31 December 2010	95,660

17. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by Messrs. AA Property Services Limited for properties located in Hong Kong and some properties located in the PRC and Guangdong Jinghua Assets & Real Estate Appraisal Co., Ltd for some properties located in the PRC, who are independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

At 31 December 2009, all of the Group's investment properties located in Hong Kong had been pledged to secure the banking facilities granted to the Group (2010: nil).

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
The carrying value of investment properties shown above comprises:		
Land in Hong Kong:		
Long lease	**–**	2,000
Medium-term lease	**–**	2,300
Land in the PRC		
Long lease	**3,470**	3,758
Medium-term lease	**92,190**	32,842
	95,660	40,900

At 31 December 2010, a subsidiary of the Company has yet to complete the process of obtaining the property certificate in respect of a property of HK$56,100,000 located in the PRC. Such property was reclassified to investment properties during the year ended 31 December 2010 as the management changed the intention of holding such property from owner occupation to rental purpose through renting it out to a third party.

18. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold land and buildings HK$'000 (Restated)	Construction in progress HK$'000	DTV equipment HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000 (Restated)
COST								
At 1 January 2009	116,354	4,112	–	718,643	111,161	14,180	70,189	1,034,639
Additions	1,606	5,809	–	221	717	2,549	–	10,902
Transferred to investment properties	(26,814)	–	–	–	–	–	–	(26,814)
Write-off/disposals	–	–	–	(15,981)	(864)	(3,022)	(3,826)	(23,693)
Disposal of subsidiaries (note 13 & 45)	(2,515)	–	–	(512,870)	(9,795)	(572)	(17,905)	(543,657)
Transfer/reclassification	2,149	(2,302)	–	–	(3,759)	3,912	–	–
Exchange adjustment	20	(11)	–	5	–	–	2	16
At 31 December 2009 and 1 January 2010	90,800	7,608	–	190,018	97,460	17,047	48,460	451,393
Additions	2,474	110,834	539,109	407	3,063	9,681	4,241	669,809
Acquisition of a subsidiary (note 46)	–	–	–	–	568	378	–	946
Transferred to investment properties	(43,168)	–	–	–	–	–	(21,231)	(64,399)
Write-off/disposals	–	–	–	(43,700)	(18,201)	(510)	(6,424)	(68,835)
Disposal of subsidiaries (note 13 & 45)	–	–	–	(27,900)	(58,984)	(91)	–	(86,975)
Transfer/reclassification	–	(116,913)	115,008	1,905	–	–	–	–
Exchange adjustment	377	(1,529)	3,443	–	134	453	8	2,886
At 31 December 2010	50,483	–	657,560	120,730	24,040	26,958	25,054	904,825
DEPRECIATION AND IMPAIRMENT								
At 1 January 2009	37,846	–	–	623,850	94,742	7,818	38,570	802,826
Provided for the year	1,897	–	–	26,182	4,836	1,946	2,739	37,600
Reclassification	–	–	–	–	(412)	412	–	–
Eliminated on write-off/disposals	–	–	–	(15,981)	(756)	(1,601)	(1,272)	(19,610)
Eliminated on disposal of subsidiaries (notes 13 & 45)	(733)	–	–	(450,777)	(7,973)	(521)	(6,562)	(466,566)
Exchange adjustment	(2)	–	–	1	2	1	(4)	(2)
At 31 December 2009 and 1 January 2010	39,008	–	–	183,275	90,439	8,055	33,471	354,248
Provided for the year	2,352	–	8,686	1,744	1,926	3,096	1,828	19,632
Eliminated on transferred to investment properties	(16,760)	–	–	–	–	–	(10,168)	(26,928)
Eliminated on write-off/disposals	–	–	–	(43,700)	(18,185)	(87)	(6,424)	(68,396)
Eliminated on disposal of subsidiaries (notes 13 & 45)	–	–	–	(24,915)	(57,415)	(85)	–	(82,415)
Exchange adjustment	31	–	83	–	81	167	4	366
At 31December 2010	24,631	–	8,769	116,404	16,846	11,146	18,711	196,507
CARRYING VALUES								
At 31 December 2010	25,852	–	648,791	4,326	7,194	15,812	6,343	708,318
At 31 December 2009	51,792	7,608	–	6,743	7,021	8,992	14,989	97,145
At 1 January 2009	78,508	4,112	–	94,793	16,419	6,362	31,619	231,813

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Leasehold land and buildings and leasehold improvements with carrying value of HK$37,471,000 (2009: HK$26,814,000) were transferred to investment properties as they were rented out to independent third parties to earn rental income during the year. The fair value of these leasehold land and buildings at the date of transfer is HK$56,100,000 (2009: HK$32,862,000), resulting in recognition of surplus on revaluation of HK$18,629,000 (2009: HK$6,048,000) in other comprehensive income and accumulated in property revaluation reserve.

As at 31 December 2010, all of the Group's DTV equipment are provided to local DTV project companies for serving its cable television subscribers under the arrangement as described in note 26.

Machinery, moulds and tools, equipment, furniture and fixtures, motor vehicles and leasehold improvements with carrying value of HK$439,000 were written off or disposed of during the year as they were either fully depreciated or unable to generate any future economic benefits to the Group.

THE COMPANY

	Leasehold land and buildings HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST						
At 1 January 2009	23,380	43,700	19,405	29	19,118	105,632
Disposals	–	–	–	–	(790)	(790)
At 31 December 2009 and 1 January 2010	23,380	43,700	19,405	29	18,328	104,842
Additions	–	–	35	–	1,400	1,435
Write-off	–	(43,700)	(18,185)	(29)	(6,424)	(68,338)
Transfer to a subsidiary	(23,380)	–	–	–	(11,905)	(35,285)
At 31 December 2010	–	–	1,255	–	1,399	2,654
DEPRECIATION						
At 1 January 2009	17,507	43,700	18,955	29	15,020	95,211
Provided for the year	935	–	298	–	555	1,788
Disposals	–	–	–	–	(270)	(270)
At 31 December 2009 and 1 January 2010	18,442	43,700	19,253	29	15,305	96,729
Provided for the year	462	–	48	–	627	1,137
Eliminated on write-off	–	(43,700)	(18,185)	(29)	(6,424)	(68,338)
Eliminated on transfer to a subsidiary	(18,904)	–	–	–	(9,119)	(28,023)
At 31 December 2010	–	–	1,116	–	389	1,505
CARRYING VALUES						
At 31 December 2010	–	–	139	–	1,010	1,149
At 31 December 2009	4,938	–	152	–	3,023	8,113

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
The carrying value of leasehold land and buildings comprises:				
Land in Hong Kong:				
Long leases	**6,605**	6,974	**–**	–
Medium-term leases	**–**	–	**–**	–
Land in the PRC:				
Long leases	**314**	356	**–**	–
Medium-term leases	**18,933**	44,462	**–**	4,938
	25,852	51,792	**–**	4,938

At 31 December 2009, a subsidiary of the Company had yet to complete the process of obtaining the property certificate in respect of a property of HK$31,244,000 located in the PRC. HK$26,408,000 of such property was reclassified to investment properties during the year ended 31 December 2010 as the management changed the intention of holding such property from owner occupation to rental purpose through renting it out to third parties.

19. PREPAID LEASE PAYMENTS

	THE GROUP		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
The prepaid lease payments comprise:			
Leasehold land in Hong Kong:			
Medium-term lease	**–**	–	989
Leasehold land in the PRC:			
Long lease	**167**	189	212
Medium-term lease	**2,369**	2,431	2,696
	2,536	2,620	3,897
Analysed for reporting purposes as:			
Current asset	**84**	84	117
Non-current asset	**2,452**	2,536	3,780
	2,536	2,620	3,897

20. GOODWILL AND IMPAIRMENT TESTING

THE GROUP

	HK$'000
COST AND CARRYING AMOUNT	
At 1 January 2009	**235,364**
Arising on acquisition of additional interest in a subsidiary	**106**
Eliminated on disposal of partial interests in a subsidiary (note 42)	**(42,360)**
At 31 December 2009 and 1 January 2010	**193,110**
Arising on acquisition of a subsidiary	**4,402**
At 31 December 2010	**197,512**

For the purposes of impairment testing, goodwill set out above has been allocated to three individual cash generating units ("CGUs"), attributable to two subsidiaries in intelligent information operating segment and one subsidiary in DTV technical solutions and equipment operating segment. The carrying amounts of goodwill as at 31 December 2010 and 2009 allocated to them are as follows:

	2010 **HK$'000**	2009 HK$'000
Intelligent information operating segment		
– Sino Stride Technology Holdings Limited ("SST") (note a)	**180,588**	180,588
– Concord Optic (note b)	**4,402**	–
DTV technical solutions and equipment operating segment		
– Guangzhou Yijiatong Interactive Information Development Company Limited ("Yijiatong") (note c)	**12,522**	12,522
	197,512	193,110

20. GOODWILL AND IMPAIRMENT TESTING *(Continued)*

Notes:

(a) Management has appointed an independent valuer to perform a business valuation on SST at the end of both reporting periods. 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) based on the valuation report is in excess of the aggregate carrying amounts of SST. The recoverable amount of SST has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the management of the Group covering a 5-year period, and a discount rate of 14.59% (2009: 14.42%). Cash flows beyond the 5-year period are extrapolated using a 3% (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.

(b) During the year ended 31 December 2010, goodwill arose from acquisition of equity interests in Concord Optic. Details are set out in note 46. Management of the Group has determined that there is no impairment on goodwill as the recoverable amount of Concord Optic (being the CGU to which the goodwill has been allocated) as calculated in the managment's cash flow projections is in excess of the aggregate carrying amounts of Concord Optic. The recoverable amount of Concord Optic 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 5-year period, and a discount rate of 13.46%. Cash flows beyond the 5-year period are extrapolated using a 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 Concord Optic and management's expectations for the market development.

(c) 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 amounts 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 20-year period which is the contract period of the new cooperation agreements after the reorganisation of the DTV business model (2009: a 5-year period), and a discount rate of 14.07% (2009: 12%). Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance of Yijiatong and management's expectations for the market development.

21. INTANGIBLE ASSETS

	Development costs for energy saving systems HK$'000	Development costs for intelligent information systems HK$'000	Project contracts HK$'000	Contract acquisition costs HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2009	–	4,632	1,473	121,894	127,999
Additions	1,130	5,600	–	–	6,730
Exchange adjustments	(1)	(4)	–	146	141
At 31 December 2009 and 1 January 2010	1,129	10,228	1,473	122,040	134,870
Additions (note 26)	2,781	1,518	–	295,560	299,859
Exchange adjustments	64	263	–	(359)	(32)
At 31 December 2010	3,974	12,009	1,473	417,241	434,697
AMORTISATION AND IMPAIRMENT					
At 1 January 2009	–	2,373	812	5,080	8,265
Charge for the year	–	–	296	6,106	6,402
Exchange adjustments	–	–	(1)	3	2
At 31 December 2009 and 1 January 2010	–	2,373	1,107	11,189	14,669
Charge for the year	976	1,186	294	8,456	10,912
Impairment loss recognised in the year	–	2,290	–	–	2,290
Exchange adjustments	12	78	–	41	131
At 31 December 2010	988	5,927	1,401	19,686	28,002
CARRYING VALUES					
At 31 December 2010	2,986	6,082	72	397,555	406,695
At 31 December 2009	1,129	7,855	366	110,851	120,201

21. INTANGIBLE ASSETS *(Continued)*

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

Development costs for energy saving systems	5 years
Development costs for intelligent information systems	5 years
Project contracts	5 years
Contract acquisition costs	20 years

Development costs for energy saving systems represent software design and development fee incurred in respect of a system "中程全天候智能分佈式冷卻系統" for the energy saving business.

Development costs for intelligent information systems represent costs incurred for the design and development of intelligent information systems. During the year ended 31 December 2010, the Group recognised an impairment loss of HK$2,290,000 (2009: nil) on one of the intelligent information systems as it is expected that no future economic benefit can be generated by that system.

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

Contract acquisition costs represented the payment to DTV operator in Guangdong Province for acquiring the rights to provide technical services and equipment as described in note 26. The contract acquisition costs are amortised over the terms of the contract of 20 years on a straight-line basis. As at 31 December 2009, the contract acquisition costs recognised was HK$110,851,000. During the year, the Group has novated the existing contract acquisition costs of HK$122,040,000 with the new contract acquisition costs of HK$417,600,000 at an additional cost of HK$295,560,000.

22. DEPOSITS PAID

(a) The amount represented deposit paid to DTV operator in Guangdong Province for acquisition of the DTV equipment and other operating assets.

(b) 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.

23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**990**	26,748
Deemed capital contributions	**17,875**	48,211
Less: Impairment loss recognised	**(980)**	(980)
	17,885	73,979
Advances to subsidiaries	**347,523**	410,876

Deemed capital contributions approximately HK$9,175,000 (2009: HK$10,272,000) represent fair value adjustment on non-current interest-free advances to subsidiaries at initial recognition or upon revised estimates of the timing of repayment of advances by these subsidiaries. During the year, there was an additional deemed capital contribution of HK$9,175,000 and an impairment loss of HK$39,511,000 has been recognised on the deemed capital contribution on a subsidiary because the estimated future cash flows expected to be received form the investment is expected to be minimal.

The advances to subsidiaries are unsecured, non-interest bearing and denominated in HK$. In the opinion of the Directors, the Company will not demand repayment within one year from the end of reporting period and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the original effective interest method at a range of 2.5% to 2.64% per annum.

23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2010 %	2009 %	Principal activities
Aberdeen Industrial Company Limited	Samoa	The PRC	1 ordinary share of US$1	**100***	100*	Investment holding
Aberdeen Investments Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100***	100*	Property investment
Chongqing SinoStride Technology Co., Ltd.@ 重慶中程科技有限公司	The PRC	The PRC	Registered capital RMB200,000,000	**100***	100*	Provision of DTV technical solutions and equipment
Dongguan Santai Electrical Appliances Co., Ltd ^ 東莞三泰電器有限公司	The PRC	The PRC	Registered capital HK$64,000,000	**100***	100*	Property investment and manufacture and sale of electronic product
Ever Create Profits Limited	The British Virgin Islands ("B.V.I.")	Hong Kong	1 ordinary share of US$1	**100***	100*	Trading of DTV equipment and accessories
Hitech Electro-Optical Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100***	100*	Property investment
Hop Cheong Holdings Limited	Cook Islands	Hong Kong	3,500 ordinary shares of US$1 each	**-** (note 1)	100	Investment holding with its subsidiaries involved in high precision metal components business.
Hop Cheong Technology Limited	Hong Kong	The PRC	1,000,000 ordinary shares of HK$1 each	**-** (note 1)	100*	Provision of management services

23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2010 %	2009 %	Principal activities
Made Connection Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Printronics Electronics Limited	Hong Kong	Hong Kong	5 ordinary shares of HK$1 each	**60***	60*	Investment holding
Printronics Group Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$10 each	**100**	100	Investment holding
Santai Corporate Services Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Provision of management services
Santai Manufacturing Limited	Hong Kong	The PRC	10,000 ordinary shares of HK$1 each	**100**	100	Investment holding
SCS Investment Company Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100***	100*	Investment holding
SCT Electronics Limited	Hong Kong	The PRC	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Sino Stride Technology (Holdings) Limited	B.V.I.	Hong Kong	1,078,959,000 ordinary shares of HK$0.01 each	**100***	100*	Investment holding
Sino Stride Technology Co., Ltd @ 中程科技有限公司	The PRC	The PRC	Registered capital RMB83,000,000	**78.5***	78.5*	System value-added service solution and development

23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2010 %	2009 %	Principal activities
South China Digital TV Holdings Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
廣州市易家通互動信息發展有限公司#	The PRC	The PRC	Registered capital RMB15,050,000	**100***	100*	Provision of DTV technical solutions and equipment
深圳市泰格信息科技開發有限公司#	The PRC	The PRC	Registered capital RMB20,000,000	**100***	100*	Investment holding and sale of DTV equipment
Concord Optic-Electronic Technology Co., Ltd @ 浙江協和光電科技有限公司	The PRC	The PRC	Registered capital RMB10,000,000	**80*** (note 2)	48.5*	System design, and sales of system hardware and light emitted diode products

* Indirectly held through subsidiaries

@ Registered under the laws of the PRC as a Sino-foreign co-operative joint venture

^ Registered under the laws of the PRC as a wholly-foreign owned enterprise

\# Registered under the laws of the PRC in the form of domestic incorporated entity

Notes:

(1) On 8 July 2010, the Group's interest in Hop Cheong Holdings Limited and Hop Cheong Technology Limited with carrying amount of HK$25,758,000 were fully disposed of at a consideration of HK$10,384,000, details are disclosed in note 13(b). The disposal was completed on 31 July 2010, at which time on which they ceased to be a subsidiary of the Group.

(2) On 31 December 2010, the Group's interest in Concord Optic was increased from 48.5% to 80% as a result of the further acquisition of 31.5% interest through a cash consideration of HK$4,750,000, details are disclosed in note 46. Concord Optic became a subsidiary of the Group and ceased to be an associate of the Group.

23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES *(Continued)*

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

None of the subsidiaries had issued any debt securities for the years ended 31 December 2010 and 2009.

24. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Unlisted investments in associates, at cost less impairment	**69,003**	73,028
Share of post-acquisition (losses) profits and other comprehensive (expense) income, net of dividends received	**(245)**	13,760
	68,758	86,788

During the year ended 31 December 2009, the Group impaired fully the investment cost in Shenzhen Fasten Sino Stride Technology Limited of HK$2,542,000 as the estimated future cash flows expected to be received from the investment was expected to be minimal.

24. INVESTMENTS IN ASSOCIATES *(Continued)*

At 31 December 2010 and 2009, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
Shanghai Tai Hung Investment Management Co. Ltd 上海泰泓投資有限公司 ("STHIML")	Corporate	The PRC	**24%** (note 1)	30%	Investment in securities
Wuxi Remarkable Mask Limited 無錫中微掩模電子有限公司 ("WRML")	Corporate	The PRC	**19%** (note 2)	19% (note 2)	Inactive
Success East Investment Limited ("SEIL")	Corporate	Hong Kong	**19%** (note 3)	19% (note 3)	Investment in securities
Shenzhen Fasten Sino Stride Technology Limited 深圳市法爾勝中程科技有限公司	Corporate	The PRC	**31.4%**	31.4%	Sales of hardware and equipment related to system integration and system design
Concord Optic	Corporate	The PRC	**–** (note 4)	48.5%	System design, and sales of system hardware and light emitted diode products

24. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

(1) On 30 April 2010, the Group's interest in STHIML decreased from 30% to 24% as a result of partial disposal of 6% interest in STHIML for a cash consideration of HK$2,599,200, resulting in a gain of HK$150,000 reported in other income, gains and losses account.

(2) On 22 May 2009, the Group injected share capital in a newly established entity, WRML, which resulted in the Group holding 19% equity interest in WRML. The Group is able to exercise significant influence over WRML because it has the power to join the board of directors of WRML and exercise its voting rights under the clause stated in the deed of trust of WRML. Hence, WRML is accounted for as an associate of the Group.

(3) On 10 August 2009, the Group has injected share capital in a newly established entity, SEIL, which resulted in the Group holding 19% equity interest in SEIL. The Group is able to exercise significant influence over SEIL because it has the power to appoint one out of the four directors of SEIL under the provisions stated in the Articles of Association of SEIL. Hence, SEIL is accounted as an associate of the Group.

(4) On 31 December 2010, the Group's interest in Concord Optic increased from 48.5% to 80% as a result of acquisition of an additional 31.5% interest through a cash consideration of HK$4,750,000, details are disclosed in note 46. Concord Optic ceased to be an associate and became a subsidiary of the Group as disclosed in note 23.

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

	2010 **HK$'000**	2009 HK$'000
Total assets	**1,084,545**	497,630
Total liabilities	**(730,552)**	(81,032)
Net assets	**353,993**	416,598
Group's share of net assets of associates	**68,758**	89,330
Revenue	**8,341**	4,174
Profit (loss) for the year	**5,080**	(5,313)
Other comprehensive (expense) income	**(68,148)**	70,896
Group's share of total comprehensive (expense) income of associates for the year	**(14,005)**	13,228

25. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2010 and 2009, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued share capital/registered capital indirectly held by the Company 2010	2009	Issued and fully paid share capital/ registered capital	Principal activities
Sky Light Communication (Shenzhen) Limited	Sino-foreign equity joint venture	The PRC	– (note)	75% (note)	RMB20,000,000	Inactive
Sky Land Navigator Technology (Shenzhen) Limited ("SLNTL")	Sino-foreign equity joint venture	The PRC	– (note)	75% (note)	RMB20,000,000	Inactive

Note: According to the joint venture agreements, the Group is in a position to exercise joint control over these entities through participation in their respective boards of directors. The board of directors of the entities comprises 6 directors of which 3 were appointed by the Group. Two-third of the board of directors are required to pass major board resolutions. Accordingly, these entities have been accounted for as jointly controlled entities. These entities are deregistered with investment costs fully written off during 2010.

THE GROUP

	2010 & 2009 HK$'000
Unlisted investments in jointly controlled entities, at cost	28,303
Share of post-acquisition loss and other comprehensive income, net of dividends received	(27,833)
	470
Less: Investment costs written-off (2009: Impairment loss recognised)	(470)
	–

During the year ended 31 December 2009, the Group impaired fully the carrying amounts of interest in SLNTL of HK$470,000 as it became inactive in 2009. Accordingly, the estimated future cash flows expected to be received from the investment is expected to be minimal.

25. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted using the equity method is set out below:

	2010	2009
	HK$'000	HK$'000
Current assets	–	470
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Income recognised in profit or loss	–	121,849*
Expenses recognised in profit or loss	–	125,576*
Other comprehensive income	–	–

* Represent the income/expense of Hoperise Industrial Limited from 1 January 2009 until the date of disposal on 31 July 2009, the results of which is grouped in discontinued operation. Details of disposal are set out in note 47.

The investments in jointly controlled entities were fully impaired in prior years and they became dormant since that time. No share of profit or loss is resulted in the current year.

26. JOINTLY CONTROLLED OPERATIONS

In accordance with announcement dated 10 March 2008 relating to the Group's development in the DTV technical solutions and equipment business, the Company entered into a cooperation agreement with a joint venture, Southern Media Corporation (the "Joint Venturer") to jointly operate a platform in the Guangdong Province for the provision of multi-media information services based on a cabled DTV network.

Pursuant to this cooperation agreement (the "Old Cooperation Agreement"), the Group is responsible for the provision of technical services and funding for the working capital for the local DTV project companies. In return, the Group is entitled to share (i) 80% of the income as mentioned in the Old Cooperation Agreement from the year when normal operation commences to the 8th year; and (ii) a rate to be negotiated and agreed upon between parties after the 8th year. Income represented revenue of local DTV project companies net of any expenses incurred in the operations. The Joint Venturer is responsible for the local administrative work of the local DTV project companies.

Pursuant to the circular dated 15 October 2010, the Group completed the reorganisation of the business model of its DTV business (the "Reorganisation") on 8 November 2010 (the "Completion Date") and acts solely as equipment and technical services provider thereafter as detailed below at which time the jointly controlled operation under the Old Cooperation Agreement ceased upon the commencement of the New Arrangement.

Pursuant to the Reorganisation, the Group has:

(a) disposed of its available-for-sale investments representing unlisted equity securities of RMB12,166,000 (approximately HK$14,107,000) in local DTV project companies and Guangdong Southern Yinshi Network Media Company Limited ("Southern Yinshi") at its carrying amount to Guangzhou Yinshi Consultant Company Limited ("Yinshi Consultant");

(b) novated all of its rights and obligations, representing the contract acquisition cost previously paid to DTV operator under the Old Cooperation Agreement, to Yinshi Consultant at a consideration of RMB108,000,000 (equivalent to approximately HK$122,040,000).

26. JOINTLY CONTROLLED OPERATIONS *(Continued)*

(c) entered into a supplementary agreement pursuant to which Yinshi Consultant agrees to novate certain rights and obligations (see below) under a cooperation agreement between Yinshi Consultant, Southern Yinshi and the local DTV project companies for a consideration of RMB360,000,000 (equivalent to approximately HK$417,600,000). The consideration was arrived at after arm's length negotiations between the parties. The consideration will be satisfied in cash in four instalments of 30%, 20%, 20% and 30% each within 5 business days, 6 months, 12 months and 18 months respectively, from completion date. Accordingly, HK$167,040,000 and HK$125,280,000 (equivalent to RMB252,000,000 in aggregate) were included in other payables under current liabilities and non-current liabilities as at 31 December 2010, respectively; and

(d) agreed to acquire DTV equipment with a cap amount of RMB800,000,000 (equivalent to approximately HK$928,000,000) from Southern Yinshi. As at 31 December 2010, the Group has acquired DTV equipment of RMB461,428,000 (equivalent to approximately HK$535,256,000) and included in the Group's property, plant and equipment. The amount of DTV equipment yet to acquire of RMB338,572,000 (equivalent to approximately HK$392,744,000) has been included in capital commitment in note 50.

After the Reorganisation, the Group is responsible for providing equipment to local DTV project companies and technical services to Southern Yinshi (the "New Arrangement"). In return, the Group is entitled to receive technical service fee income of (i) 80% of after business tax income including income from television advertising and other value added services ("New Income") which are not included in the Old Cooperation Agreement, generated from Southern Yinshi and local DTV project companies from the 1st to the 8th year; (ii) 50% of New Income generated from the 9th to 15th year; and (iii) subject to negotiation between the parties from the 16th to the 20th year.

26. JOINTLY CONTROLLED OPERATIONS *(Continued)*

As at 31 December 2010, all of the Group's DTV equipment have been provided to local DTV project companies for serving its cable television subscribers. The arrangement conveys the right to use the DTV equipment to the local DTV project companies. On this basis, the management of the Group considered that the New Arrangement contains leasing of equipment to local DTV project companies.

The amount of service fee income to be received under the New Arrangement for the provision of technical services and leasing of DTV equipment is contingent on the future income generated by Southern Yinshi and local DTV project companies accordingly the lease is classified as an operating lease.

As at the end of reporting period, the aggregate amount of assets, liabilities, revenue and profit recognised in the Group's consolidated financial statements under the Old Cooperation Agreement are as follows:

	2010	2009
	HK$'000	HK$'000
Assets	**–**	110,851
Liabilities	**–**	–
Revenue	**106,068**	85,331
Profit after tax	**82,973**	67,526

27. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2010 HK$'000	2009 HK$'000
Unlisted equity investments	**8,120**	16,849

Notes:

(1) The above unlisted investments represent various investments in unlisted equity securities issued by private entities incorporated in the PRC. Their main principal activities are provision of software development and television broadcasting services. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

(2) In the current year, the Group disposed of certain unlisted equity securities with carrying amount of HK$565,000. A gain on disposal of HK$83,000 has been recognised in profit or loss for the current year.

(3) In addition, the Group acquired 10% unlisted equity securities issued by a private entity incorporated in the PRC which is engaged in provision of software development in the PRC at a consideration of HK$5,729,000.

(4) As described in note 26, the Group has disposed of the available-for-sale investments with carrying amount of approximately HK$14,107,000. The amount has not been settled at 31 December 2010 and included in other receivable.

28. CLUB DEBENTURES

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cost	**960**	960	**960**	960
Impairment loss recognised	**(260)**	(260)	**(260)**	(260)
	700	700	**700**	700

Club debentures are tested for impairment annually and whenever there is an indication that it may be impaired. No impairment loss was recognised at year end by reference to the quoted market prices of similar club debentures.

29. INVENTORIES

	THE GROUP 2010 HK$'000	2009 HK$'000
Raw materials	**11,034**	19,039
Work in progress	**3,369**	1,737
Finished goods	**3,292**	42,513
	17,695	63,289

30. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Trade receivables

	THE GROUP 2010 HK$'000	2009 HK$'000
Trade receivables	**299,900**	344,693
Less: Allowance for doubtful debts	**(56,050)**	(53,573)
	243,850	291,120

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 90 to 360 days of issuance. Each customer has a designated credit limit.

30. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

An aged analysis of the trade receivables at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts, is as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
0 – 90 days	**202,813**	118,634
91 – 180 days	**27,707**	65,172
181 – 365 days	**10,659**	30,592
1 – 2 years	**2,671**	75,777
Over 2 years	**–**	945
	243,850	291,120

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines a credit rating and limit for each customer. In addition, the Group reviews the repayment history of receivables of each customer with reference to the payment terms stated in contracts to determine the recoverability. In the opinion of directors, trade receivables that are not past due nor impaired at the end of the reporting period were of good credit quality.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$27,158,000 (2009: HK$122,164,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 230 days (2009: 396 days).

30. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

Aging of trade receivables which are past due but not impaired

	2010 HK$'000	2009 HK$'000
0 – 90 days	–	557
91 – 180 days	13,828	44,269
181 – 365 days	10,659	616
1 – 2 years	2,671	75,777
Over 2 years	–	945
Total	27,158	122,164

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
At 1 January 2010	53,573	67,312
Impairment losses recognised on receivables	3,972	2,113
Amounts written off as uncollectible	–	(7,331)
Disposal of subsidiaries	(1,632)	(6,148)
Impairment losses reversed	–	(2,379)
Exchange differences	137	6
At 31 December 2010	56,050	53,573

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$56,050,000 (2009: HK$53,573,000) of which the Group has chased for settlements from customers but the amounts remained unsettled. In the opinion of directors, the amounts are considered uncollectible. The Group does not hold any collateral over these balances.

30. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

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

	2010	2009
	HK$'000	HK$'000
RMB	**–**	9,429
US$	**4,684**	3,970

(b) Prepayment, deposits and other receivables

At 31 December 2010, the balance included deferred cash consideration of HK$222,215,000 in aggregate, comprising those arising from disposal of: Yinshi Consultant HK$4,118,000 (note 45(a)); Remarkable of HK$202,499,000 (note 13(c)); Printronics China Limited ("Printronics China") and Far East PCB Limited ("Far East") of HK$1,491,000 (note 45(b)); and available-for-sale investments of HK$14,107,000 (note 27).

At 31 December 2009, the balance included deferred cash consideration of HK$357,619,000 in aggregate, comprising those arising from disposal of: Remarkable HK$288,616,000 (note 13(c)) and Dorup Limited ("Dorup") of HK$1,488,000 (note 45(c)); and a jointly controlled entity of HK$67,515,000 (note 47).

The remaining balance of HK$187,842,000 (2009: HK$262,771,000) mainly represented advances to suppliers in relation to intelligent information business as well as prepaid expenses.

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.

31. HELD-FOR-TRADING INVESTMENTS

	2010 HK$'000	2009 HK$'000
THE GROUP		
Listed securities:		
– Equity securities listed in Hong Kong	**8,490**	4,626
– Equity securities listed in the PRC	**131**	200
	8,621	4,826

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

	2010 HK$'000	2009 HK$'000
THE GROUP		
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**1,525,474**	1,442,334
Less: Progress billings	**(1,167,103)**	(1,135,135)
	358,371	307,199
Analysed for reporting purposes of:		
Amounts due from contract customers	**383,969**	336,046
Amounts due to contract customers	**(25,598)**	(28,847)
	358,371	307,199

At 31 December 2010, retentions held by customers for contract works of approximately HK$79,450,000 (2009: HK$58,130,000) were included in amounts due from customers for contract work. Advances received from customers before contract work is performed amounting to approximately HK$8,750,000 (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.

33. AMOUNT DUE FROM (TO) AN ASSOCIATE

The amount due from an associate at 31 December 2010 is denominated in RMB. It is unsecured, non-interest bearing and expected to be realised in the next twelve months.

The amount due to an associate at 31 December 2009 was unsecured, non-interest bearing and fully settled in 2010.

34. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

The amounts due from subsidiaries, mainly denominated in HK$, are unsecured and non-interest bearing. The amounts are expected to be realised in the next twelve months.

The amounts due to subsidiaries, denominated in HK$, are unsecured, non-interest bearing and repayable on demand.

35. PLEDGED BANK DEPOSITS

THE GROUP

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group.

The pledged bank deposits carry interest at market rates ranging from 2.25% to 2.50% (2009: 1.98% to 2.25%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings in year 2011 and are therefore classified as current assets.

36. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances carry interest at prevailing bank saving deposits rates ranging from 0.01% to 1.17% (2009: 0.01% to 1.71%) per annum.

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

	2010 HK$'000	2009 HK$'000
THE GROUP		
HK$	**697**	49,890
RMB	**–**	1,084
US$	**107**	5,435
THE COMPANY		
HK$	**625**	41,778
US$	**15**	706

37. TRADE AND BILLS PAYABLES AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

(a) Trade and bills payables

The following is an aged analysis of the trade and bills payables based on the invoice date at the end of reporting period:

	2010 HK$'000	2009 HK$'000
0 – 90 days	**215,278**	176,395
91 – 180 days	**22,559**	26,468
181 – 365 days	**4,471**	13,144
1 – 2 years	**–**	24,013
Over 2 years	**4,049**	3,174
	246,357	243,194

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

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

	2010 HK$'000	2009 HK$'000
RMB	**–**	2,933
US$	**–**	1,213

(b) Other payables, deposits received and accruals

At 31 December 2010, the amounts included outstanding balance on consideration payable of new contract acquisition costs of HK$167,040,000 (2009: nil) due for settlement in 2011 as disclosed in note 26(c). The remaining balance of HK$70,848,000 (2009: HK$97,873,000) mainly represented advances from customers and value added tax payable in relation to intelligent information business as well as accrued staff costs.

38. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unsecured bank loans	**559,120**	522,060	**–**	–
Secured trust receipt loans	**10,733**	2,805	**10,733**	2,805
Secured bank loans	**226,107**	1,802	**–**	1,802
	795,960	526,667	**10,733**	4,607
Carrying amount repayable:				
Within one year	**466,520**	130,256	**10,733**	3,696
More than one year, but not exceeding two years	**76,560**	75,491	**–**	911
More than two years, but not exceeding five years	**229,680**	223,740	**–**	–
More than five years	**23,200**	97,180	**–**	–
	795,960	526,667	**10,733**	4,607
Less: Amounts due within one year shown under current liabilities	**(466,520)**	(130,256)	**(10,733)**	(3,696)
	329,440	396,411	**–**	911

38. BANK BORROWINGS *(Continued)*

THE GROUP

The bank borrowings include:	2010 HK$'000	2009 HK$'000
Fixed rate borrowings	**42,920**	126,560
Variable rate borrowings carry interest at:		
Hong Kong Interbank Offered Rate plus 2% per annum	**–**	4,607
Five-year benchmark interest rate of The People's Bank of China with 10% markup	**516,200**	395,500
London Interbank Offered Rate plus 2.2% per annum	**226,107**	–
USD Prime Rate plus 0.5% per annum	**6,821**	–
Prevailing interest rate per annum for Euro bills	**3,912**	–
	753,040	400,107
	795,960	526,667

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

	2010	2009
Fixed-rate borrowings	**3.75% – 6.39%**	4.05% to 4.87%
Variable-rate borrowings	**2.46% – 5.94%**	2.10% to 6.53%

THE COMPANY

The bank borrowings include:	2010 HK$'000	2009 HK$'000
Variable rate borrowings carry interest at:		
Hong Kong Interbank Offered Rate plus 2% per annum	**–**	4,607
USD Prime Rate plus 0.5% per annum	**6,821**	–
Prevailing interest rate per annum for Euro bills	**3,912**	–
	10,733	4,607

The effective interest rate (which are also equal to contracted interest rates) on the Company's borrowings ranged from 3.75% to 3.95% (2009: 2.10% to 5.50%) per annum.

38. BANK BORROWINGS *(Continued)*

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

	2010	2009
	HK$'000	HK$'000
THE GROUP		
US$	**232,928**	2,805
EUR	**3,912**	–
HK$	**–**	1,802

	2010	2009
	HK$'000	HK$'000
THE COMPANY		
US$	**6,821**	2,805
EUR	**3,912**	–
HK$	**–**	1,802

During the year, the Group obtained new loans of HK$443,900,000 (2009: HK$533,258,000). The loans bear interest at market rates and will be repayable in 2011 (2009: 2010 to 2017). The new loans were borrowed by group companies and certain of them were under financial guarantee provided by the Company to the banks (note 51).

39. CONVERTIBLE LOAN NOTES

THE GROUP AND THE COMPANY

The Group issued convertible loan notes in 2008 and 2009. Movements for the years ended 31 December 2010 and 2009 are set out as follows:

	Liability component HK$'000	Derivative components HK$'000
At 1 January 2009	319,656	–
Issue of convertible loan notes	41,059	75,191
Interest charge	45,892	–
Interest paid	(11,550)	–
Exchange realignment	(32)	–
Gain arising on changes of fair value	–	(2,362)
At 31 December 2009 and 1 January 2010	395,025	72,829
Interest charge	57,598	–
Interest paid	(11,550)	–
Exchange realignment	130	–
Gain arising on changes of fair value	–	(44,339)
Carrying amount at 31 December 2010	441,203	28,490

39. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Loan Notes Issued in 2008

(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 on 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 is classified as an equity instrument of the Company.

The Company has the compulsory conversion option to convert the Convertible Notes at any time prior to the Maturity Date, 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. As at 31 December 2010, the carrying amount of the liability component of the Convertible Notes is HK$375,616,000 (2009: HK$346,055,000). No conversion was noted in 2010 and 2009.

39. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2009

(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 on 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 US$.

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.

39. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2009 *(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 to redeem the whole amount, or any part, of the Convertible Bond on the date falling on the second anniversary from the Issue Date, which is on 5 June 2011. The amount payable on redemption in such case is the amount which is equal to the aggregate of (i) the principal amount of the Convertible Bond to be redeemed; and (ii) a premium equal to 8.5% per annum, compounded annually, accrued from the Issue Date up to (but excluding) the date of redemption for such Convertible Bond to be redeemed, calculated on the basis of a 360 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 liability component, conversion option derivative, compulsory conversion option derivative and 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 values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss for the year ended 31 December 2010.

39. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2009 *(Continued)*

(b) *(Continued)*

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

	5 June 2009	31 December 2009	31 December 2010
Stock price	HK$0.60	HK$0.57	HK$0.39
Exercise price	HK$0.60	HK$0.60	HK$0.60
Volatility (note)	50%	55%	59%
Dividend yield	0%	0%	0%
Option life	5 years	4.43 years	3.43 years
Risk free rate	2.83%	2.4%	1.24%

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 were determined with reference to a valuation report carried out by an independent and recognised international business valuers, on Issue Date at approximately HK$116,250,000. As at 31 December 2010, the liability component of the Convertible Bond is HK$65,587,000 (2009: HK$48,970,000) and the fair value of the derivative component of the Convertible Bond is HK$28,490,000 (2009: HK$72,829,000). No conversion was noted in 2010 and 2009.

40. SHARE CAPITAL

	2010 Number of shares	2010 Amount HK$'000	2009 Number of shares	2009 Amount HK$'000
Ordinary shares of HK$0.25 each				
Authorised:				
At beginning and end of year	**4,000,000,000**	**1,000,000**	4,000,000,000	1,000,000
Issued and fully paid:				
At beginning of year	**2,142,141,179**	**535,535**	1,910,427,179	477,607
Issue of shares on subscription (note)	–	–	230,000,000	57,500
Exercise of share options	–	–	1,714,000	428
At end of year	**2,142,141,179**	**535,535**	2,142,141,179	535,535

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

41. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following tables disclose details and movements in share options under the 2002 Scheme during the years ended 31 December 2010 and 2009:

For the year ended 31 December 2010:

				Number of shares under options					
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2010	Granted during the year	Transferred to/from other category during the year	Exercised during the year	Lapsed during the year	At 31.12.2010
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	13,242,000	–	(8,026,000)[1]	–	–	5,216,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	7,279,810	–	(3,428,000)[1]	–	–	3,851,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	54,600,000	–	(22,400,000)[1]	–	–	32,200,000
	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596	18,750,000	–	–	–	–	18,750,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420	–	35,000,000	–	–	–	35,000,000
				97,071,810	35,000,000	(33,854,000)	–	–	98,217,810
Employees of the Group	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	4,000,000	–	–	–	–	4,000,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	85,000,000	–	–	–	(6,000,000)[2]	79,000,000
				89,000,000	–	–	–	(6,000,000)	83,000,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	32,104,000	–	8,026,000[1]	–	–	40,130,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	11,982,000	–	–	–	–	11,982,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	5,292,000	–	3,428,000[1]	–	–	8,720,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	5,000,000	–	22,400,000[1]	–	–	27,400,000
				68,447,000	–	33,854,000	–	–	102,301,000
				254,518,810	35,000,000	–	–	(6,000,000)	283,518,810
Exercisable at the end of the year				254,518,810					283,518,810
Weighted average exercise price per share				HK$0.717					HK$0.679

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

For the year ended 31 December 2009

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of shares under options: At 1.1.2009	Granted during the year	Transferred to/from other category during the year	Exercised during the year	Lapsed during the year	At 31.12.2009
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	13,242,000	–	–	–	–	13,242,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	12,001,810	–	–	(1,714,000)	(3,008,000)[4]	7,279,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	59,600,000	–	–	–	(5,000,000)[4]	54,600,000
	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596	–	18,750,000	–	–	–	18,750,000
				88,043,810	18,750,000	–	(1,714,000)	(8,008,000)	97,071,810
Employees of the Group	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	2,000	–	–	–	(2,000)[4]	–
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	4,000,000	–	–	–	–	4,000,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	5,292,000	–	(5,292,000)[3]	–	–	–
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	99,000,000	–	(5,000,000)[3]	–	(9,000,000)[4]	85,000,000
				108,294,000	–	(10,292,000)	–	(9,002,000)	89,000,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	32,104,000	–	–	–	–	32,104,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	11,982,000	–	–	–	–	11,982,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	–	–	5,292,000[3]	–	–	5,292,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	8,000,000	–	5,000,000[3]	–	(8,000,000)[4]	5,000,000
				66,155,000	–	10,292,000	–	(8,000,000)	68,447,000
				262,492,810	18,750,000	–	(1,714,000)	(25,010,000)	254,518,810
Exercisable at the end of the year				262,492,810					254,518,810
Weighted average exercise price per share				HK$0.728					HK$0.717

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

All share options are vested at the date of grant.

[1] There are three directors of the Company resigned during the year. The Board approved that the share options held by those directors remain exercisable up to the original expiring date and such share options were reclassified from the category of "Directors of the Company" to "Other participants" during the year.

[2] These share options were lapsed in 2010 upon resignation of certain employees during the year.

[3] These share options were held by a grantee who became consultants of the Group in 2009 and such share options were thus reclassified from the category of "Employees" to "Other participants" of the Group. The share options are still exercisable unless they are lapsed or cancelled.

[4] These share options were lapsed in 2009 upon resignation of certain directors and employees as well as upon cessation of services provided by other participants (i.e. consultants) to the Group.

For shares options granted to consultants of the Group, they were measured at the fair value of the share options granted as the fair value of services provided to the Group cannot be reliably measured.

In respect of share options exercised during the year ended 31 December 2009, the weighted average share price at the dates of exercise is HK$0.540 per share.

During the years ended 31 December 2010 and 2009, share options were granted to Directors on 14 December 2010 and 16 December 2009, respectively. The estimated fair value of the options determined at the date of grant using the Binomial model was HK$8,386,000 and HK$5,597,000, respectively. The share options are vested upon grant and the Group recognised the total expense of HK$8,386,000 for the year ended 31 December 2010 (2009: HK$5,597,000) in respect of share options granted by the Company.

The closing price of the Company's shares immediately before 14 December 2010 (2009: before 16 December 2009), the date of grant of the 2002 Scheme options, was HK$0.41 per share (2009: HK$0.57).

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

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

	14 December 2010	16 December 2009
Grant date share price	**HK$0.42**	HK$0.570
Exercise price	**HK$0.42**	HK$0.596
Expected volatility	**56.75%**	64.68%
Dividend yield	**0%**	0%
Risk-free interest rate	**2.83%**	2.41%
Contract life	**10 years**	10 years
Sub-optimal factor:		
– Directors and other participants	**2.8**	2.28

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years.

42. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 13 October 2009, Sino Stride (HK) Limited and Shenzhen Tiger Information Technology Development Co., Ltd, the Group's wholly owned subsidiaries, and Hangzhou Zheda Tongli Houqin Group Co., Ltd, the Group's non-controlling interests of Sino Stride Technology Co., Ltd. ("SSTCL"), entered into a joint venture contract with an independent third party, Carrier Asia Limited ("Carrier") pursuant to which the Group agreed to dispose of 19% equity interests in SSTCL to Carrier at a consideration of approximately HK$53,713,000. The transaction was completed on 13 December 2009 and the Group's equity interests in SSTCL were reduced from 97.5% to 78.5% as at 31 December 2009. The net assets of the Group's 19% equity interests in SSTCL at the date of disposal were as follows:

	13 December 2009 HK$'000
Net assets of the Group's 19% equity interests in SSTCL	27,190
Goodwill attributable to disposal (note 20)	42,360
	69,550
Loss on disposal of partial interests in a subsidiary	(15,907)
Total consideration	53,643
Satisfied by:	
Cash consideration	53,713
Transaction costs incurred	(70)
	53,643

43. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000 (note 1)	Capital reserve HK$'000 (note 2)	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Translation reserve HK$'000	Total HK$'000
THE COMPANY								
At 1 January 2009	609,908	2,084	53,690	30,443	(516,846)	68,767	1,579	249,625
Loss for the year	–	–	–	–	(62,464)	–	–	(62,464)
Exchange difference arising during the year	–	–	–	–	–	–	53	53
Total comprehensive (expense) income for the year	–	–	–	–	(62,464)	–	53	(62,411)
Recognition of equity-settled share based payments	–	–	–	5,597	–	–	–	5,597
Issue of new shares	34,500	–	–	–	–	–	–	34,500
Exercise of share options	456	–	–	(188)	–	–	–	268
Share option lapsed	–	–	–	(4,393)	4,393	–	–	–
At 31 December 2009 and 1 January 2010	644,864	2,084	53,690	31,459	(574,917)	68,767	1,632	227,579
Loss for the year	–	–	–	–	(165,176)	–	–	(165,176)
Exchange difference arising during the year	–	–	–	–	–	–	1	1
Total comprehensive income (expense) for the year	644,864	2,084	53,690	31,459	(740,093)	68,767	1,633	62,404
Recognition of equity-settled share based payments	–	–	–	8,386	–	–	–	8,386
Share option lapsed	–	–	–	(907)	907	–	–	–
At 31 December 2010	644,864	2,084	53,690	38,938	(739,186)	68,767	1,633	70,790

43. RESERVES *(Continued)*

Notes:

1. The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

2. 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. At the end of the reporting period, the Company did not have any reserve available for distribution (2009: nil).

44. DEFERRED TAXATION

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

	Tax losses	Accelerated tax depreciation	Impairment loss on inventories	Revaluation of investment properties	Impairment loss on trade receivables	Impairment loss on amounts due from customers for contract work	Convertible loan notes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP								
At 1 January 2009	(11,223)	11,839	(510)	–	(817)	(2,986)	12,797	9,100
Exchange realignment	–	–	1	–	–	–	5	6
Disposal of subsidiaries (note 45(c))	11,223	(11,355)	–	–	–	–	–	(132)
(Credit) charge to profit or loss for the year	–	(128)	509	–	472	(1,098)	(6,376)	(6,621)
At 31 December 2009 and 1 January 2010	–	356	–	–	(345)	(4,084)	6,426	2,353
Exchange realignment	–	4	–	–	(15)	(111)	–	(122)
Credit to profit or loss for the year	–	(343)	–	–	(565)	(163)	(4,878)	(5,949)
Credit to other comprehensive income	–	–	–	2,794	–	–	–	2,794
At 31 December 2010	–	17	–	2,794	(925)	(4,358)	1,548	(924)

44. DEFERRED TAXATION *(Continued)*

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

	2010	2009
	HK$'000	HK$'000
THE GROUP		
Deferred tax assets	**(5,283)**	(4,429)
Deferred tax liabilities	**4,359**	6,782
	(924)	2,353

	Deferred tax liability on convertible loan notes	
	2010	2009
	HK$'000	HK$'000
THE COMPANY		
At beginning of year	**6,426**	12,797
Credit to profit or loss for the year	**(4,878)**	(6,376)
Exchange realignment	**–**	5
At end of year	**1,548**	6,426

The Group had recognised deferred tax assets amounted to approximately HK$5,283,000 (2009: HK$4,429,000) in relation to deductible temporary differences relating to impairment of trade receivables and amounts due from customers for contract work as it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences can be utilised.

44. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$476,222,000 (31 December 2009: HK$394,463,000) available for offseting against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams for both years. The tax losses may be carried forward indefinitely. During the year, subsidiaries with unused tax losses of approximately HK$14,575,000 were disposed of.

As 31 December 2010, the Company had unrecognised tax losses amounting to approximately HK$134,880,000 (2009: HK$95,879,000) which can be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$20,434,000 (2009: HK$14,518,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

45. DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 December 2010, a subsidiary of the Company disposed of its entire equity interest in a wholly-owned inactive subsidiary, Yinshi Consultant, to an independent third party at a consideration of RMB5,000,000 (equivalent to approximately HK$5,692,000). The disposal was completed on 7 April 2010.

The net assets of Yinshi Consultant at the date of disposal were as follow:

	7.4.2010
	HK'$000
Net assets disposed of:	
Trade and other receivables	5,638
Bank balances and cash	6
Trade and other payables	(73)
	5,571
Gain on disposal	121
Total consideration	5,692
Satisfied by:	
Cash consideration	1,574
Deferred consideration (included in other receivable)	4,118
	5,692
Net cash inflow arising on disposal:	
Cash consideration	1,574
Bank balances and cash disposed of	(6)
	1,568

The deferred consideration is settled in cash by the purchaser subsequently after the end of the reporting period and is therefore included in current assets.

45. DISPOSAL OF SUBSIDIARIES

(b) During the year ended 31 December 2010, a subsidiary of the Company disposed of its entire equity interest in two wholly owned subsidiaries, Printronics China and Far East, to an independent third party at a cash consideration of HK$3,000,000 and incurred transaction cost of HK$9,000. The disposal was completed on 31 December 2010.

The net assets of Printronics China and Far East at the date of disposal were as follows:

	31.12.2010		
	Printronics China	**Far East**	**Total**
	HK$'000	HK$'000	HK$'000
Net assets disposed of:			
Bank balances and cash	–	5	5
Trade and other payables	–	(5)	(5)
Property, plant & equipment	2,633	–	2,633
			2,633
Gain on disposal			358
Total consideration			2,991
Satisfied by:			
Cash consideration			1,500
Deferred consideration (included in other receivable)			1,491
			2,991
Net cash inflow arising on disposal:			
Cash Consideration			1,500
Bank balances and cash disposed of			(5)
			1,495

The deferred consideration is expected to be settled in cash by the purchaser within 12 months from the end of the reporting period and is therefore included in current assets.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) On 4 May 2009, a subsidiary of the Company entered into an agreement with an independent third party to dispose of its entire 60% equity interest in a subsidiary, Dorup, which carried out manufacturing business of telephone cords and cables, at a consideration of approximately HK$12,342,000. The disposal was completed on 8 May 2009.

The net assets of Dorup at the date of disposal were as follow:

	8.5.2009
	HK'$000
Net assets disposed of:	
Property, plant and equipment	3,100
Prepaid lease payments	1,180
Club debentures	110
Inventories	2,741
Trade and other receivables	16,268
Bank balances and cash	7,509
Trade and other payables	(13,362)
Deferred tax liabilities	(132)
	17,414
Non-controlling interests	(6,975)
	10,439
Gain on disposal	1,903
Total consideration	12,342
Satisfied by:	
Cash	10,854
Deferred consideration	1,488
	12,342
Net cash inflow arising on disposal:	
Cash consideration	10,854
Bank balances and cash disposed of	(7,509)
	3,345

The deferred consideration was included in other receivables in prior year and settled in cash by the purchaser during the year ended 31 December 2010.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(d) On 30 November 2009, the Group disposed of its entire 100% equity interest in a subsidiary, Suzhou Pixcir Microelectronic Limited ("Suzhou Pixcir"), to an independent third party at a consideration of HK$1,000,000.

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

	30.11.2009 HK'$000
Net assets disposed of:	
Property, plant and equipment	347
Inventories	84
Other receivables	2,492
Bank balances and cash	34
Other payables and accruals	(714)
	2,243
Loss on disposal	(1,243)
Total consideration	1,000
Satisfied by:	
Cash consideration	1,000
Net cash inflow arising on disposal:	
Cash consideration	1,000
Bank balances and cash disposed of	(34)
	966

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(e) Net cash inflow (outflow) on disposal of certain subsidiaries

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Disposal of Yinshi Consultant (note 45(a))	**1,568**	–
Disposal of Printronics China and Far East (note 45(b))	**1,495**	–
Disposal of Suzhou Pixcir (note 45(d))	**–**	966
	3,063	966
Discontinued operations		
Disposal of Dorup (note 45(c))	**1,488**	3,345
Disposal of Hop Cheong (note 13(b))	**5,764**	–
Disposal of Remarkable (note 13(c))	**113,925**	(3,417)
	121,177	(72)
	124,240	894

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(f) Gain on disposal of subsidiaries

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Gain on disposal of Yinshi Consultant (note 45(a))	**121**	–
Gain on disposal of Printronics China and Far East (note 45(b))	**358**	–
Loss on disposal of Suzhou Pixcir (note 45(d))	**–**	(1,243)
	479	(1,243)
Discontinued operations		
Gain on disposal of Dorup (note 45(c))	**–**	1,903
Gain on disposal of Hop Cheong (note 13(b))	**1,975**	–
Gain on disposal of Remarkable (note 13(c))	**–**	206,904
	1,975	208,807
	2,454	207,564

46. ACQUISITION OF A SUBSIDIARY

On 31 December 2010, the Group acquired an additional 31.5% of the issued share capital of Concord Optic bringing its shareholding from 48.5% to 80% for a consideration of RMB4,095,000 (equivalent to approximately HK$4,750,000). Before the acquisition, the Group recognised its equity interest in Concord Optic as an associate using equity method. As at 31 December 2010, this acquisition has been accounted for using the acquisition method, resulting in goodwill of HK$4,402,000. Concord Optic is engaged in the manufacture and sales of LED lighting system.

Consideration transferred

	HK$'000
Cash	4,750

Assets acquired and liabilities recognised at the date of acquisition are as follow:

	HK$'000
Property, plant and equipment	946
Inventories	4,481
Trade and other receivables	3,768
Bank balances and cash	75
Other payables	(5,846)
Bank borrowings	(2,320)
	1,104

46. ACQUISITION OF A SUBSIDIARY *(Continued)*

The fair value of trade and other receivable at the date of acquisition amounted to RMB3,248,000 (equivalent to approximately HK$3,768,000), which is also the gross contractual amount.

In determining the goodwill of HK$4,402,000, the management took into account the fair value of consideration paid of HK$4,750,000, fair value of previously-held interest of 48.5% as well as the amount of non-controlling interests of Concord Optic. The non-controlling interests recognised at the acquisition date of HK$221,000 was measured at their proportionate share of recognised amount of Concord Optic's identifiable net assets. The management considered that the impact on goodwill and profit for the year in relation to measuring previously-held interest at fair value at the date of acquisition is not significant as the fair value does not differ materially from its carrying amount.

Goodwill arose in the acquisition of Concord Optic because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Concord Optic. Concord Optic was acquired so as to continue the expansion of the Group's energy saving operation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Concord Optic

	HK$'000
Cash consideration paid	(4,750)
Less: Bank balances and cash acquired	75
	(4,675)

No profit and revenue for the year is attributable to the additional business generated by Concord Optic.

Had the acquisition been completed on 1 January 2010, total group revenue for the period would have been HK$588,895,000, and profit for the period would have been HK$11,315,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

47. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

On 19 June 2009, the Group entered into a share transfer agreement to dispose of the equity interest in a jointly controlled entity, which represented 50% of the issued share capital of Hoperise, to an independent third party, at a consideration of HK$151,115,000. The disposal was completed on 31 July 2009. The net assets of Hoperise at the date of disposal were as follows:

	31.7.2009
	HK$'000
Net assets disposed of	147,545
Reclassification of translation difference to profit or loss	(7,219)
	140,326
Gain on disposal	10,470
Total consideration	150,796
Satisfied by:	
Cash consideration	83,600
Deferred cash consideration	67,515
Transaction costs	(319)
	150,796

Consideration of approximately HK$67,515,000 was expected to be settled in two instalments in cash by the purchaser on 30 June 2010 and 31 December 2010, respectively and was therefore included in other receivable as at 31 December 2009. The consideration was fully settled as at 31 December 2010.

48. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2009 and 2010, non-cash transactions have taken place as follows:

(a) Leasehold land and buildings and leasehold improvement with carrying value of HK$37,471,000 (2009: HK$26,814,000) were transferred to investment properties as they were rented out to independent third parties to earn rental income during the year.

(b) In 2010, the deposits paid for acquisition of equipment amounted to RMB313,159,000 (equivalent to HK$353,870,000) as at 31 December 2009 were utilised to settle the acquisition of equipment as described in note 26.

(c) In 2010, a consideration receivable of RMB108,000,000 (equivalent to HK$122,040,000) with regard to novation of the rights and obligations under the Old Cooperation Agreement as described in note 26(b) was offset against the first instalment of the consideration payable for acquisition of new contract acquisition costs. The Group has disposed of the available-for-sale investments with carrying amount of approximately HK$14,017,000. The amount has not been settled at 31 December 2010 and included in other receivable. Details are set out in note 26.

49. OPERATING LEASES

The Group and the Company as lessee

Minimum lease payments paid by the Group under operating leases during the year amounted to approximately HK$7,649,000 (2009: HK$4,370,000).

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,398**	2,917	**1,870**	2,606
In the second to fifth year inclusive	**8,231**	3,950	**1,870**	3,740
Over five years	**479**	35	**–**	–
	14,108	6,902	**3,740**	6,346

49. OPERATING LEASES *(Continued)*

The Group and the Company as lessee *(Continued)*

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

The Group as lessor

Property and machinery rental income earned during the year was approximately HK$2,913,000 (2009: HK$3,159,000), less direct operating expenses of approximately HK$9,000 (2009: HK$42,000).

The Group leases its investment properties and machinery under operating lease arrangements with leases negotiated for terms ranging from one to five years. All the properties held have committed tenants for the next five years (2009: for the next three years). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2010	2009
	HK$'000	HK$'000
Within one year	**3,153**	3,410
In the second to fifth years inclusive	**6,031**	4,487
	9,184	7,897

In addition, pursuant to an agreement entered into between the Group and Southern Yinshi (Note 26), the Group conveys the right to use DTV equipment for 20 years. The entire lease payment in respect of leasing DTV equipment to local DTV project companies is determined on a contingent basis, accordingly not included in above.

50. CAPITAL COMMITMENT

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**392,744**	973

51. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cross guarantee given to banks, in respect of banking facilities to third parties				
– amount that could be required to be paid if the guarantee was called upon in entirety	**63,800**	46,330	**–**	–
– amount utilised	**47,560**	46,330	**–**	–
Guarantee given to banks in respect of banking facilities obtained by a subsidiary				
– amount guaranteed	**–**	–	**583,600**	452,000
– amount utilised	**–**	–	**504,600**	395,500

The Group and the Company had provided guarantees to banks in respect of banking facilities granted to third parties and a subsidiary 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.

52. RETIREMENT BENEFIT SCHEMES

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

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

The total cost charged to income of approximately HK$3,456,000 (2009: HK$3,225,000) represents contributions payable to the MPF Scheme and state-managed scheme of approximately HK$584,000 (2009: HK$826,000) and HK$2,872,000 (2009: HK$2,399,000), respectively.

53. RELATED PARTY TRANSACTIONS

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

	Notes	**2010** **HK$'000**	2009 HK$'000
Management fees paid to a substantial shareholder	(i)	**960**	960
Management fees paid to a related company	(ii)	**660**	660
Interest expenses paid to a related company	(iii)	**–**	209
Purchases from related companies	(iv)	**–**	711
Sales of goods to an associate	(v)	**4,343**	–

53. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) Management fees were paid to Shougang Holding for the provision of management services.

(ii) Management fees were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding, for the provision of management services.

(iii) Interest expenses were paid to a subsidiary of Shougang Holding, Shougang (Hong Kong) Finance Company Limited, for granting interest-bearing loan advanced to the Group in prior year.

(iv) Purchases were made from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited in prior year, both are wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which Shougang Holding (together with its associate) is the single largest shareholder.

(v) The amount represents sales to Concord Optic, an associate of the Group prior to becoming a subsidiary of the Group upon purchase of additional interest on 31 December 2010 as disclosed in note 46.

(b) Details of balances and other arrangements with related parties of the Group and the Company are set out in the Company's statement of financial position and the Group's consolidated statement of financial position on pages 55 to 57 and in notes 23, 24, 33 and 34.

(c) Compensation of key management personnel

The remuneration of key management members, who are the directors of the Group during the year, was as follows:

	2010	2009
	HK$'000	HK$'000
Short term benefits	**13,865**	10,416
Post-employment benefits	**247**	240
Share-based payments	**8,386**	5,597
	22,498	16,253

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

53. RELATED PARTY TRANSACTIONS *(Continued)*

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

Guarantor	Relationship	Type of guarantee	Guarantee amount	
			2010	2009
			HK$'000	HK$'000
Shougang Holding	Substantial shareholder	Corporate guarantee	**278,000**	278,000
Mega Star Limited	Substantial shareholder	Corporate guarantee	**78,000**	78,000
Mr. Chau Chit	Director of the Company	Personal guarantee	**–**	45,200

54. EVENT AFTER THE REPORTING PERIOD

On 3 March 2011, the Company entered into a subscription agreement (the "Subscription Agreements") with each of seven subscribers whereby the subscribers have agreed to subscribe and the Company has agreed to issue, convertible bonds (the "Bonds") in an aggregate principal amount of HK$360,000,000. The Bonds will expire on the third anniversary of the issue date of the Bonds. The Bonds carry interest of 1.5% per annum payable semi-annually and are redeemable at their principal amount on the maturity date by the Company. The bondholders have the rights to convert their Bonds into shares of the Company at any time during the conversion period at an initial conversion price of HK$0.45 per share (subject to adjustments in accordance with the terms of the Bonds). The completion of the subscription and issue of the Bonds was conditional upon (i) the approval of the Subscription Agreements and the transactions contemplated thereunder by the shareholders of the Company in a general meeting, which will be held on 1 April 2011; and (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, all the conversion shares of the Bonds (the "Listing Approval"). On 17 March 2011, the Stock Exchange has granted the conditional Listing Approval which is subject to fulfillment of other conditions of the Subscription Agreements.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2006 HK$'000 (Restated)	2007 HK$'000 (Restated)	2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	**2010** **HK$'000**
Revenue	624,388	678,819	905,540	386,570	**580,668**
(Loss) gain from operations less finance costs	(19,415)	(45,260)	79,928	(8,609)	**37,652**
Gain on partial disposal of a subsidiary	–	125,942	–	–	**–**
Gain on deemed partial disposal of an associate	–	64,246	–	–	**–**
Loss on disposal of partial interests in a subsidiary	–	–	–	(15,907)	**–**
Gain on disposal of an associate	–	183	–	–	**–**
Gain on deemed disposal of a subsidiary	–	–	1,308	–	**–**
Gain on disposal of available-for-investments	–	–	15,051	34,295	**83**
Share of profit (loss) of associates	17,780	15,552	7,100	(2,189)	**(114)**
Share of profit (loss) of jointly controlled entities	5,592	4,804	(27,325)	–	**–**
(Loss) profit before tax	3,957	165,467	76,062	7,590	**37,621**
Income tax credit (expense)	534	(3,498)	(961)	4,817	**(17,398)**
(Loss) profit for the year from continuing operations	4,491	161,969	75,101	12,407	**20,223**
(Loss) profit for the year from discontinued operations	(77,995)	(74,878)	(100,712)	130,545	**(11,392)**
Attributable to:					
Owners of the Company	(81,509)	78,759	(30,745)	141,197	**9,507**
Non-controlling interests	8,005	8,332	5,134	1,755	**(676)**
	(73,504)	87,091	(25,611)	142,952	**8,831**
(Loss) earnings per share					
Basic (HK cents)	(5.12)	4.46	(1.60)	6.87	**0.44**
Diluted (HK cents)	–	4.31	–	–	**–**
Dividends	–	–	–	–	**–**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At the year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000 (Restated)	**2010 HK$'000**
Total assets	1,268,438	1,672,137	2,020,670	2,686,899	**3,234,810**
Total liabilities	(591,046)	(729,158)	(991,184)	(1,423,518)	**(1,938,910)**
	677,392	942,979	1,029,486	1,263,381	**1,295,900**
Equity attributable to owners of the Company	618,650	865,427	1,012,205	1,218,953	**1,249,671**
Non-controlling interests	58,742	77,552	17,281	44,428	**46,229**
	677,392	942,979	1,029,486	1,263,381	**1,295,900**