



SHOUGANG CONCORD TECHNOLOGY
HOLDINGS LIMITED

Stock Code : 521

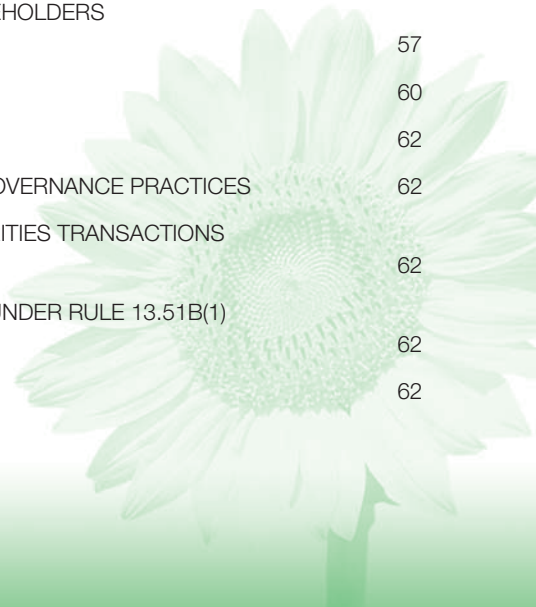
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2011 Interim Report



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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 and Principal Place of Business

Unit 2102, 21st Floor

Tower II, Admiralty Centre

No. 18 Harcourt Road

Hong Kong

Stock Code

521

Website

www.shougang-tech.com.hk

INTERIM RESULTS

The board of directors (the “Board”) of Shougang Concord Technology Holdings Limited (the “Company”) is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
Notes	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)	
Continuing operations			
Revenue	3 205,461	185,660	
Cost of sales	(141,056)	(114,778)	
Gross profit	64,405	70,882	
Other income, gains and losses	10,945	(2,433)	
Decrease in fair value of held-for-trading investments	(1,185)	(2,698)	
Gain on disposal of available-for-sale investments	–	83	
Selling and distribution costs	(3,880)	(3,768)	
Administrative expenses	(50,736)	(40,868)	
Gain on disposal of a subsidiary	4a –	121	
Gain on disposal of an associate	4b 2,894	–	
Gain on loss of significant influence of an associate	4c 2,154	–	
Gain on partial disposal of an associate	–	150	
(Loss) gain on fair value change of the derivative components of convertible loan notes	(9,794)	38,389	
Share of profit of associates	–	1,271	
Finance costs	5 (51,523)	(41,840)	
(Loss) profit before tax	(36,720)	19,289	
Income tax (expense) credit	6 (14,916)	1,475	
(Loss) profit for the period from continuing operations	(51,636)	20,764	
Discontinued operations			
Loss for the period from discontinued operations	7 –	(15,014)	
(Loss) profit for the period	8 (51,636)	5,750	

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)
Other comprehensive income		
Exchange difference on translation		
Share of translation difference of associates	138	162
Exchange difference arising during the period	30,195	553
Reclassification adjustment upon disposal of an associate	(289)	–
Reclassification adjustment upon partial disposal of an associate	–	(32)
Available-for-sale investments		
Share of revaluation of available-for-sale investments held by associates	–	5,307
Reclassification adjustment upon disposal of an associate	2,090	–
Reclassification adjustment upon loss of significant influence of an associate	(2,154)	–
Reclassification adjustment upon partial disposal of an associate	–	(1,024)
Revaluation of property		
Gain on revaluation upon transfer from property, plant and equipment to investment properties	2,902	–
Deferred tax upon transfer from property, plant and equipment to investment properties	(436)	–
Other comprehensive income for the period (net of tax)	32,446	4,966
Total comprehensive (expense) income for the period	(19,190)	10,716

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	11	109,266	95,660
Property, plant and equipment	11	696,047	708,318
Prepaid lease payments		2,410	2,452
Goodwill	12	198,440	197,512
Intangible assets	13	410,811	406,695
Deposits paid for acquisition of equipment	14	199,156	169,275
Deposit paid for acquisition of a property	15	42,000	40,600
Investments in associates	4c	6,527	68,758
Available-for-sale investments	4c	67,773	8,120
Club debentures		700	700
Deferred tax assets		8,127	5,283
		1,741,257	1,703,373
CURRENT ASSETS			
Prepaid lease payments		84	84
Inventories		20,612	17,695
Trade receivables	16(a)	287,666	243,850
Prepayments, deposits and other receivables	16(b)	401,088	410,057
Held-for-trading investments		2,856	8,621
Amounts due from customers for contract work	18	379,396	383,969
Amount due from an associate	19	–	9,976
Tax recoverable		1,725	1,725
Pledged bank deposits		491,274	245,142
Bank balances and cash		71,130	210,318
		1,655,831	1,531,437
Assets classified as held for sale	17	7,135	–
		1,662,966	1,531,437

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2011

	Notes	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	20(a)	237,705	246,357
Other payables, deposits received and accruals	20(b)	305,593	237,888
Provision		6,758	7,643
Amounts due to customers for contract work	18	15,865	25,598
Tax liabilities		42,484	26,132
Bank borrowings – due within one year	21	733,846	466,520
Convertible loan notes	22	75,119	441,203
Embedded derivative components of convertible loan notes	22	24,568	28,490
		1,441,938	1,479,831
NET CURRENT ASSETS			
		221,028	51,606
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,962,285	1,754,979
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	21	301,200	329,440
Convertible loan notes	22	253,123	–
Embedded derivative components of convertible loan notes	22	128,022	–
Other payables		–	125,280
Deferred tax liabilities		3,230	4,359
		685,575	459,079
NET ASSETS			
		1,276,710	1,295,900
CAPITAL AND RESERVES			
Share capital	23	535,535	535,535
Reserves		693,369	714,136
Equity attributable to owners of the Company		1,228,904	1,249,671
Non-controlling interests		47,806	46,229
TOTAL EQUITY			
		1,276,710	1,295,900

2011 Interim Report

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company													Total
	Share capital	Share premium	Capital redemption reserve	Property revaluation reserve	Other reserves	Translation reserve	Capital reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Convertible loan notes equity reserve	Sub-total	Attributable to non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (audited)	535,535	644,864	2,084	6,048	360	42,806	53,690	15,417	31,459	(182,077)	68,767	1,218,953	44,428	1,263,381
Profit for the period	-	-	-	-	-	-	-	-	-	4,762	-	4,762	988	5,750
Share of translation difference of associates	-	-	-	-	-	162	-	-	-	-	-	162	-	162
Exchange difference arising during the period	-	-	-	-	-	422	-	-	-	-	-	422	131	553
Share of revaluation of available-for-sale investments held by associates	-	-	-	-	-	-	-	5,307	-	-	-	5,307	-	5,307
Reclassification adjustment upon partial disposal of an associate	-	-	-	-	-	(32)	-	(1,024)	-	-	-	(1,056)	-	(1,056)
Total comprehensive income for the period	-	-	-	-	-	552	-	4,283	-	4,762	-	9,597	1,119	10,716
Lapse of share options	-	-	-	-	-	-	-	-	(908)	908	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,140	1,140
At 30 June 2010 (unaudited)	535,535	644,864	2,084	6,048	360	43,358	53,690	19,700	30,551	(176,407)	68,767	1,228,550	46,887	1,275,237
At 1 January 2011 (audited)	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
Loss for the period	-	-	-	-	-	-	-	-	-	(51,647)	-	(51,647)	11	(51,636)
Share of translation difference of associates	-	-	-	-	-	138	-	-	-	-	-	138	-	138
Exchange difference arising during the period	-	-	-	-	-	28,629	-	-	-	-	-	28,629	1,566	30,195
Gain on revaluation upon transfer from property, plant and equipment to investment properties	-	-	-	2,902	-	-	-	-	-	-	-	2,902	-	2,902
Deferred tax upon transfer from property, plant and equipment to investment properties	-	-	-	(436)	-	-	-	-	-	-	-	(436)	-	(436)
Reclassification adjustment upon disposal of an associate	-	-	-	-	-	(289)	-	2,090	-	-	-	1,801	-	1,801
Reclassification adjustment upon loss of significant influence of an associate	-	-	-	-	-	-	-	(2,154)	-	-	-	(2,154)	-	(2,154)
Total comprehensive income (expense) for the period	-	-	-	2,466	-	28,478	-	(64)	-	(51,647)	-	(20,767)	1,577	(19,190)
Expiration of option upon redemption of convertible loan notes	-	-	-	-	-	-	-	-	-	68,767	(68,767)	-	-	-
At 30 June 2011 (unaudited)	535,535	644,864	2,084	24,349	360	83,627	53,690	-	38,938	(154,543)	-	1,228,904	47,806	1,276,710

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2011

Notes:

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

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

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

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Notes			
	NET CASH (USED IN) FROM OPERATING ACTIVITIES	(113,834)	63,243
	INVESTING ACTIVITIES		
	Increase in pledged bank deposits	(237,679)	(47,075)
	Deposits paid for acquisition of equipment	(29,918)	(257,755)
	Purchase of property, plant and equipment	(19,870)	(11,386)
	Purchase of intangible assets	(2,062)	(809)
	Purchase of available-for-sale investments	(1,782)	(5,700)
	Consideration received from disposal of subsidiaries in prior year	70,709	115,298
	Other investing activities	5,638	706
	Proceeds from disposal of property, plant and equipment	1,442	244
	Increase in deposit paid for acquisition of a property	-	(39,900)
	Advance to associates	-	(26,981)
	Net cash outflow on disposal of a subsidiary	-	(6)
	Consideration received from disposal of a jointly controlled entity in prior year	-	38,000
	Proceeds from partial disposal of an associate	-	2,599
	Proceeds from disposal of investment property	-	2,026
	Proceeds from disposal of available-for-sale investments	-	653
	NET CASH USED IN INVESTING ACTIVITIES	(213,522)	(230,086)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank loans raised	398,848	134,319
Proceeds from issue of convertible loan notes	360,000	–
Repayments of convertible loan notes	(385,000)	–
Repayments of bank loans	(162,980)	(104,028)
Repayments of trust receipts loans	(10,733)	(2,805)
Capital contribution from non-controlling interests	–	1,140
NET CASH FROM FINANCING ACTIVITIES	200,135	28,626
NET DECREASE IN CASH AND CASH EQUIVALENTS	(127,221)	(138,217)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	210,318	408,475
Effect of foreign exchange rate changes	(11,967)	(153)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	71,130	270,105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group applied the following accounting policy in the current interim period.

Loss of significant influence of an associate with retained investment as an available-for-sale investment

Upon losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss upon loss of significant influence of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

The application of the new or revised HKFRSs in the current interim period has had no material effect on the result and financial position of the Group.

The Group has applied HKAS 24 *Related Party Disclosures* (as revised in 2009) in full for the first time in the current period. The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following two aspects:

- a) The Group is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances with (a) the government that has significant influence over the Group and (b) other entities that are controlled, jointly controlled, significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.
- b) In addition, HKAS 24 (as revised in 2009) has revised the definition of a related party.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. However, the related party disclosures set out in note 27 to the condensed consolidated financial statements have been changed to reflect the application of HKAS 24 (as revised in 2009).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance are not yet effective.

HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of the Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the above new and revised standards and amendments will have no material impact on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

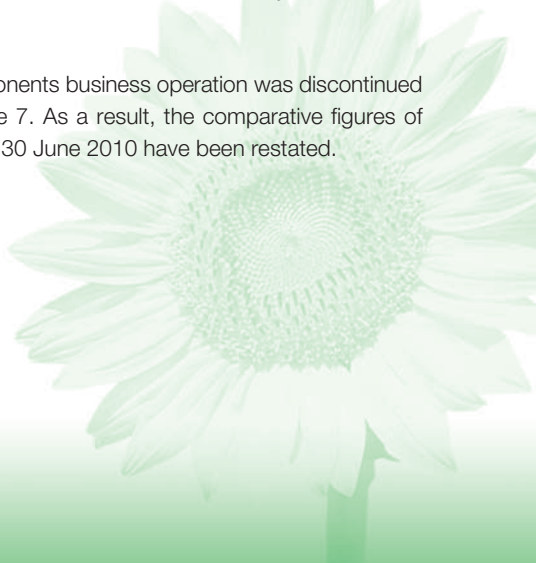
3. SEGMENT INFORMATION

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 and services delivered or provided. The Group’s reportable and operating segments are as follows:

- Digital television (“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, leasing of investment properties and sale of light emitted diode products.

In the prior interim period, printed circuit boards business was reviewed separately by the CODM and constituted a separable and an operating segment of the Group. In the second half of 2010, CODM decided to combine and review reportable and operating segment information of “printed circuit boards” and “others” as a single reportable and operating segment. The segment information in respect of “others” for the period ended 30 June 2010 has been restated to conform to the presentation of segment reporting already adopted in the annual financial statements for the year ended 31 December 2010.

In addition, the high precision metal components business operation was discontinued in July 2010. Details are disclosed in note 7. As a result, the comparative figures of segment information for the period ended 30 June 2010 have been restated.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (continued)

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

Six months ended 30 June 2011 (unaudited)

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	103,371	100,540	1,550	205,461
Segment profit (loss)	35,567	13,578	(27,805)	21,340
Unallocated income				1,015
Unallocated expense				(1,621)
Decrease in fair value of held- for-trading investments				(1,185)
Loss on fair value change of the derivative components of convertible loan notes				(9,794)
Gain on disposal of an associate				2,894
Gain on loss of significant influence of an associate				2,154
Finance costs				(51,523)
Loss before tax (continuing operations)				(36,720)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2010 (unaudited)

Continuing operations

	DTV technical solutions and equipment business HK\$'000	Intelligent information business HK\$'000	Others HK\$'000 (restated)	Total HK\$'000 (restated)
SEGMENT REVENUE				
External sales	49,943	135,020	697	185,660
Segment profit (loss)	29,212	9,192	(15,391)	23,013
Unallocated income				4,575
Unallocated expense				(3,775)
Decrease in fair value of held-for-trading investments				(2,698)
Gain on fair value change of the derivative components of convertible loan notes				38,389
Gain on disposal of available-for-sale investments				83
Gain on disposal of a subsidiary				121
Gain on partial disposal of an associate				150
Share of profit of associates				1,271
Finance costs				(41,840)
Profit before tax (continuing operations)				19,289

Since the last annual reporting date, there has been no material change in segment assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

4a. DISPOSAL OF A SUBSIDIARY

During the period ended 30 June 2010, a subsidiary of the Company disposed its entire equity interest in a wholly-owned inactive subsidiary, 廣州市銀視信息諮詢有限公司(“廣州銀視諮詢”), to an independent third party at a deferred cash consideration (included in other receivables) of RMB5,000,000 (equivalent to approximately HK\$5,692,000). The disposal was completed on 7 April 2010, on which date the Group passed the control of 廣州銀視諮詢 to the purchaser. The consideration was fully settled in 2 parts: HK\$1,574,000 in 2010 and HK\$4,118,000 in the current interim period.

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

4b. DISPOSAL OF AN ASSOCIATE

As at 31 December 2010, the Group held a 24% equity interest in Shanghai Tai Hung Investment Management Company Limited (“Shanghai Tai Hung”) which is principally engaged in investments in listed securities and accounted for the investment as an associate. In January 2011, the Group disposed of its entire equity interest in Shanghai Tai Hung to an independent third party for proceeds of HK\$11,890,000, of which HK\$11,224,000 has been received in prior year. This transaction has resulted in the recognition of a gain of HK\$2,894,000 in profit or loss, calculated as follows:

	HK\$'000 (unaudited)
Sale proceeds	11,890
Less: carrying amount of the 24% investment on the date of loss of significant influence	(7,195)
Less: reclassification adjustment upon disposal	(1,801)
	<hr/>
Gain recognised in profit or loss	<u>2,894</u>

4c. LOSS OF SIGNIFICANT INFLUENCE OF AN ASSOCIATE

The Group held a 19% interest in Success East Investment Limited (“Success East”) which is principally engaged in investments in listed securities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

4c. LOSS OF SIGNIFICANT INFLUENCE OF AN ASSOCIATE (continued)

During the current period, the Group lost its significant influence over Success East and Success East became available-for-sale investment of the Group.

The management estimates that the carrying amount of investment in Success East amounting to HK\$57,573,000 approximates its fair value on the date significant influence was lost and a gain on loss of significant influence of an associate of HK\$2,154,000 was recognised in condensed consolidated statement of comprehensive income.

The available-for-sale investment in Success East is initially measured at fair value and subsequently measured at cost less any impairment losses at the end of the reporting period as its fair value cannot be measured reliably.

5. FINANCE COSTS

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)
Continuing operations		
Interest on:		
Convertible loan notes (note 22)	30,248	27,028
Bank borrowings wholly repayable within five years	21,275	14,812
	51,523	41,840

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)
Continuing operations		
Current tax:		
Hong Kong	–	–
Other regions in the PRC	19,118	872
	19,118	872
Deferred tax	(4,202)	(2,347)
Income tax expense (credit)	14,916	(1,475)

The income tax expense (credit) is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used for the period ended 30 June 2011 ranged from 12.5% to 25% (2010: 15%) for the period under review. The relevant tax rates for the Group's subsidiaries ranged from 12.5% to 25% for the six months ended 30 June 2011 and 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

7. DISCONTINUED OPERATIONS

The loss from the discontinued operations is analysed as follows:

	Six months ended 30 June 2010
	HK\$'000 (restated)
Loss for the period relating to traditional business	(13,594)
Loss for the period relating to high precision metal components business	(1,420)
	<u>(15,014)</u>
Loss for the period relating to discontinued operations	<u>(15,014)</u>
Loss for the period relating to discontinued operations attributable to:	
Owners of the Company	(15,008)
Non-controlling interests	(6)
	<u>(15,014)</u>

- (a) In June 2010, the directors of the Company approved to cease the traditional business operation. Principal activities of traditional business are manufacturing and distribution of telephone accessories, power cords and adapters.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

7. DISCONTINUED OPERATIONS (continued)

(a) (continued)

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

	Six months ended 30 June 2010
	HK\$'000 (unaudited)
Revenue	209
Cost of sales	<u>(17,072)</u>
Gross loss	(16,863)
Other income, gains and losses	4,812
Selling and distribution costs	(27)
Administrative expenses	(1,306)
Impairment loss recognised on trade receivables	(208)
Finance costs	<u>(2)</u>
	(13,594)
Income tax expense	<u>–</u>
Loss for the period	<u><u>(13,594)</u></u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

7. DISCONTINUED OPERATIONS (continued)

- (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 comparative figures have been restated to present the high precision metal components business as discontinued operation for the period ended 30 June 2010.

The loss for the prior period from the discontinued operation relating to high precision metal components operation is analysed as follows:

	Six months ended
	30 June 2010
	HK\$'000
	(unaudited)
Loss of high precision metal components operation	<u>(1,420)</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

7. DISCONTINUED OPERATIONS (continued)

(b) (continued)

The results of the high precision metal components operation for the period were as follows:

	Six months ended 30 June 2010
	HK\$'000 (unaudited)
Revenue	10,357
Cost of sales	<u>(7,475)</u>
Gross profit	2,882
Other income, gains and losses	63
Selling and distribution costs	(215)
Administrative expenses	<u>(3,932)</u>
	(1,202)
Income tax expense	<u>(218)</u>
Loss for the period	<u><u>(1,420)</u></u>

Cash flow for the prior period from discontinued operation relating to high precision metal components business were as follows:

	Six months ended 30 June 2010
	HK\$'000 (unaudited)
Net cash outflows from operating activities	(7,425)
Net cash inflows from investing activities	<u>3,584</u>
Net cash outflows	<u><u>(3,841)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June 2011	Six months ended 30 June 2010		
	Continuing operations HK\$'000 (unaudited)	Continuing operations HK\$'000 (unaudited) (restated)	Discontinued operations HK\$'000 (unaudited) (restated)	Total HK\$'000 (unaudited) (restated)
(Loss) profit for the period has been arrived at after (crediting) charging the following items:				
Revenue (note 3)	(205,461)	(185,660)	(10,566)	(196,226)
Cost of sales	141,056	114,778	24,547	139,325
Interest income from deposits paid for acquisition of a property*	(1,959)	(1,662)	–	(1,662)
Interest income from bank deposits*	(4,312)	(255)	–	(255)
Release of prepaid lease payments	42	11	31	42
Amortisation of intangible assets (included in cost of sales)	11,219	4,043	–	4,043
Depreciation of property, plant and equipment	45,404	3,737	2,088	5,825
Total depreciation and amortisation	56,665	7,791	2,119	9,910
Loss (gain) on disposal of property, plant and equipment*	58	(45)	–	(45)
Fair value changes on investment properties	–	(59)	–	(59)
Finance costs (note 5)	51,523	41,840	2	41,842
Impairment loss recognised in respect of intangible assets (note 13)*	631	2,274	–	2,274
Impairment loss recognised in respect of other receivable (note 16)*	1,621	3,775	–	3,775
Impairment loss recognised in respect of inventories	–	–	1,141	1,141
(Reversal) recognition of impairment loss in respect of trade receivables (note a)*	(2,182)	3,722	208	3,930
Reversal of impairment loss recognised in respect of amounts due from customers for contract works (note b)*	(1,705)	(2,226)	–	(2,226)

* Reported in other income, gains and losses account.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

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

Note a: The amount represented the impairment loss recognised on trade receivables which the directors considered the amounts were uncollectible, and the reversal of impairment loss previously recognised on trade receivables which are collected in current period.

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

9. DIVIDENDS

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

10. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share		
((Loss) profit for the period attributable to owners of the Company)	(51,647)	4,762
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	–	27,028
Gain on fair value change of the derivative components of convertible loan notes	–	(38,389)
Deferred tax on convertible loan notes	–	(2,347)
Loss for the purpose of diluted loss per share	(51,647)	(8,946)

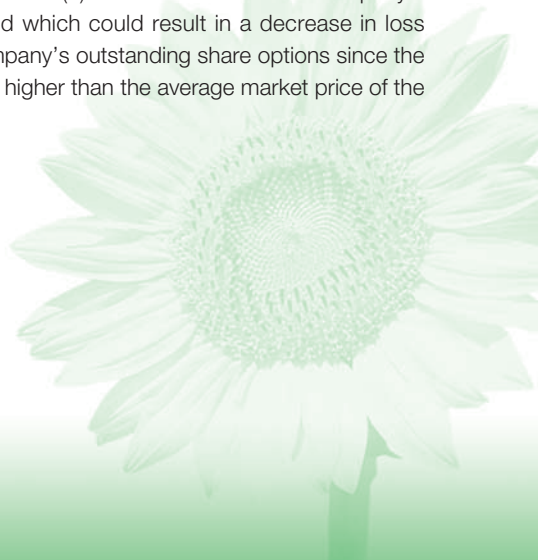
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

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

	Six months ended 30 June	
	2011 '000	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,142,141	2,142,141
Effect of dilutive potential ordinary shares:		
– share options	–	5,030
– convertible loan notes	–	543,750
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,142,141	2,690,921

The diluted loss per share from continuing and discontinued operations for the period ended 30 June 2011 does not assume (1) the conversion of the Company's outstanding convertible loan notes issued which could result in a decrease in loss per share; and (2) the exercise of the Company's outstanding share options since the exercise prices of these share options are higher than the average market price of the Company's share.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

10. (LOSS) EARNINGS PER SHARE (continued)

From continuing operations

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

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the period attributable to the owners of the Company	(51,647)	4,762
Less: Loss for the period from discontinued operations attributable to the owners of the Company	–	15,008
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations attributable to the owners of the Company	(51,647)	19,770
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	–	27,028
Gain on fair value change of the derivative components of convertible loan notes	–	(38,389)
Deferred tax on convertible loan notes	–	(2,347)
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	(51,647)	6,062

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

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

During the period ended 30 June 2011, the Group spent approximately HK\$25,744,000 (2010: HK\$11,386,000) to acquire property, plant and equipment in order to expand its operating capabilities in DTV technical solutions and equipment business.

During the period ended 30 June 2011, the Group disposed of certain equipment with an aggregate carrying amount of HK\$1,500,000 (2010: HK\$199,000) for cash proceeds of HK\$1,442,000 (2010: HK\$244,000), resulting in a loss on disposal of HK\$58,000 (2010: gain on disposal of HK\$45,000). In addition, leasehold land and buildings with an aggregate carrying amount of approximately HK\$7,406,000 (2010: Nil) was reclassified to investment properties as the intention of holding such property was changed from owner occupation to rental purpose. As a result, a revaluation surplus of HK\$2,902,000, representing the excess of fair value of properties at the date of transfer of HK\$10,308,000 over the carrying amount, has been credited to the properties revaluation reserve.

The Group's investment properties were fair valued by the directors of the Company or an independent qualified professional valuer on the basis of valuations carried out at 30 June 2011. The valuations performed by the directors of the Company and valuer were arrived by reference to recent market prices for similar properties in the same locations and conditions. In the opinion of the directors of the Company, the aggregate carrying amounts of the Group's investment properties as at 30 June 2011 do not differ significantly from their estimated fair values. Consequently, no fair value change has been recognised in the current period.

In May 2011, pursuant to a resolution of board of directors, leasehold land and buildings with an aggregate carrying amount of HK\$7,135,000 were approved to be disposed subsequent to the period ended 30 June 2011. As at 30 June 2011, these leasehold land and buildings are classified as assets held for sale (note 17) and separately presented in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

12. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to three cash generating units ("CGUs"), including one subsidiary in intelligent information business segment, one subsidiary in DTV technical solutions and equipment business segment and one subsidiary in other segment. The carrying amounts of goodwill as at 30 June 2011 have been allocated to these units as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Intelligent information business segment – Sino Stride Technology Holdings Limited ("SST") (note a)	180,588	180,588
DTV technical solutions and equipment business segment – Guangzhou Yijiatong Information Development Company Limited ("Yijiatong") (note c)	13,298	12,522
Others – Concord Optic-Electronic Technology Company Limited ("Concord Optic") (note b)	4,554	4,402
	198,440	197,512

- (a) During the period ended 30 June 2011 and year ended 31 December 2010, management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the CGU to which the goodwill has been allocated) is in excess of the aggregate carrying amount of SST. The recoverable amount of SST has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the management of the Group covering a five-year period, and a discount rate of 14.59% (31 December 2010: 14.59%). Cash flows beyond the five-year period are extrapolated using a 3% (31 December 2010: 3%) steady growth rate. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the industry. The cash flow projections are prepared based on the expected gross margins determined based on past performance of SST and management's expectations for the market development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

12. GOODWILL (continued)

- (b) During the period ended 30 June 2011 and year ended 31 December 2010, management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of Concord Optic as the recoverable amount of Concord Optic (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 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 14.59% (31 December 2010: 13.46%). Cash flows beyond the 5-year period are extrapolated using a 3% (31 December 2010: 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) During the period ended 30 June 2011 and year ended 31 December 2010, management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of Yijiatong as the recoverable amount of Yijiatong (being the CGU to which the goodwill has been allocated) as calculated in the management's cash flow projections is in excess of the aggregate carrying amount of Yijiatong. The recoverable amount of CGU of Yijiatong has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by the management of the Group covering a twenty-year period which is the contract period of the new cooperation agreements related to DTV business entered into by the Group in 2010, and a discount rate of 14.07% (31 December 2010: 14.07%). 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.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

13. MOVEMENT IN INTANGIBLE ASSETS

During the period ended 30 June 2011, the Group acquired intangible assets of approximately HK\$2,062,000 (2010: HK\$809,000). Amortisation charge for the six months ended 30 June 2011 was HK\$11,219,000 (2010: HK\$4,043,000). As at 30 June 2011, the intangible assets attributable to DTV technical solutions and equipment business amounted to approximately HK\$401 million (31 December 2010: HK\$398 million).

During the current period, the directors of the Company considered that no future economic benefits was expected to be generated by an intangible asset related to development costs for certain intelligent information systems with carrying amount of HK\$631,000 (2010: HK\$2,274,000), therefore such intangible asset was fully impaired.

14. DEPOSITS PAID FOR ACQUISITION OF EQUIPMENT

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

15. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY

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

16. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Trade receivables

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

16. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

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

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0 – 90 days	78,563	202,813
91 – 180 days	72,172	27,707
181 – 365 days	130,517	10,659
1 – 2 years	4,556	2,671
Over 2 years	1,858	–
	287,666	243,850

(b) Prepayments, deposits and other receivables

At 30 June 2011, the balance included deferred cash consideration of HK\$134,841,000 (note) arising from disposal of a subsidiary in 2009 and advances to suppliers in relation to intelligent information business as well as prepaid expenses of HK\$266,247,000.

At 31 December 2010, the balance included deferred cash consideration of HK\$222,215,000 arising from disposal of subsidiaries and available-for-sale investments in 2009 and 2010 and advances to suppliers in relation to intelligent information business as well as prepaid expenses of HK\$187,842,000.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

16. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

Note: On 27 April 2009, a subsidiary of the Company entered into a sale agreement to dispose of its entire interest in Remarkable Mask Technology Company Limited ("Remarkable"), a wholly-owned subsidiary of the Group, which carried out all of the Group's manufacture and sale of photomask products business, to an independent third party 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 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. Subsequently, the Group and the purchaser revised the repayment schedule pursuant to an undertaking dated 24 August 2010. The purchaser had agreed to settle the remaining instalments receivables of US\$27,300,000 (equivalent to approximately HK\$211,575,000), as follows:

- 20% of the consideration, US\$8,400,000 (equivalent to HK\$65,100,000), will be payable by the purchaser on or before 30 November 2010;
- 35% of the consideration, US\$14,700,000 (equivalent to HK\$113,925,000), will be payable by the purchaser on or before 31 March 2011; 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 30 October 2011.

Up to 30 June 2011, the third instalment receivable of US\$8,400,000 (equivalent to approximately HK\$65,100,000) was fully settled by the purchaser in January and March 2011. The repayment schedule was further revised pursuant to another undertaking dated 23 August 2011 signed by the purchaser. The purchaser has agreed to settle the remaining instalments receivables of US\$18,900,000 (equivalent to approximately HK\$146,475,000), as follows:

- 35% of the consideration, US\$14,700,000 (equivalent to HK\$113,925,000), will be payable by the purchaser on or before 31 December 2011; 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 30 June 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

16. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

Note: (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\$1,621,000 (2010: HK\$3,775,000) being charged to profit or loss in the current period and reported in other income, gains and losses account. The deferred consideration is included in other receivables, analysed as follows:

	30 June 2011		31 December 2010	
	US\$'000 (unaudited)	HK\$'000 (audited)	US\$'000 (unaudited)	HK\$'000 (audited)
Current asset	17,332	134,841	25,995	202,499
Non-current asset	-	-	-	-
	17,332	134,841	25,955	202,499

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

17. ASSETS CLASSIFIED AS HELD FOR SALE

On 21 June 2011, the Group entered into an agreement with an independent third party (the "Purchaser") to dispose certain of the Group's leasehold land and buildings (the "Assets") with a carrying amount of HK\$7,135,000 at a consideration of HK\$55,000,000. The disposal of the Assets is subject to approval from the Group's lessor (the "Lessor"), which was subsequently obtained in July 2011. The carrying amount of the Assets is classified as assets held for sale as at 30 June 2011 and separately presented in the condensed consolidated statement of financial position. Details of the transaction are set out in note 28.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

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

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	1,685,214	1,525,474
Less: Progress billings	(1,321,683)	(1,167,103)
	363,531	358,371
Analysed for reporting purposes of:		
Amounts due from contract customers	379,396	383,969
Amounts due to contract customers	(15,865)	(25,598)
	363,531	358,371

At 30 June 2011, retentions held by customers for contract works amounting to approximately HK\$85,085,000 (31 December 2010: HK\$79,450,000) were included in amounts due from customers for contract work. Advances received from customers for contract work before the commencement of the contract amounted to approximately HK\$9,754,000 (31 December 2010: HK\$8,750,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

19. AMOUNT DUE FROM AN ASSOCIATE

During the year ended 31 December 2010, the Group advanced HK\$9,976,000 to an associate. The amount was unsecured, non-interest bearing and non-trade in nature. In the current period, the amount is fully settled by utilising the receipt in advance brought forward from prior year (note 26).

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

(a) Trade and bills payables

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

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0 – 90 days	77,907	215,278
91 – 180 days	50,549	22,559
181 – 365 days	104,948	4,471
1 – 2 years	10	–
Over 2 years	4,291	4,049
	237,705	246,357

(b) Other payables, deposits received and accruals

At 30 June 2011, the amounts comprised consideration payable arising on recognition of DTV business of HK\$216,000,000 (31 December 2010: HK\$167,040,000) due for settlement within the next twelve months from the end of reporting period. The remaining balances of HK\$89,593,000 (31 December 2010: HK\$70,848,000) mainly comprised advances from customers, value added tax payable and accrued staff costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

21. BANK BORROWINGS

During the current period, the Group obtained new bank loans and trust receipt loans amounting to approximately HK\$398,848,000 (2010: HK\$134,319,000) and repaid HK\$173,713,000 (2010: HK\$106,833,000). The new loans were borrowed by group companies and certain of them were under financial guarantee provided by the Company to banks. The borrowings bear interest at market rates including Hong Kong Interbank Offered Rate plus 2% per annum, five-year benchmark interest of the PRC, London Interbank Offered Rate plus 2.2% per annum, USD Prime Rate plus 0.5% per annum and prevailing interest rate per annum for Euro bills ranging from 2.45% to 7.26% (31 December 2010: 2.46% to 5.94%) per annum and are repayable in instalments over a period of one to five years.

22. CONVERTIBLE LOAN NOTES

The movement of the liability component and the derivative components (including conversion option derivative, bondholders early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the period ended 30 June 2011 is as follows:

	Liability component	Derivative components
	HK\$'000	HK\$'000
At 1 January 2011 (audited)	441,203	28,490
Issue of convertible loan notes	245,694	114,306
Interest charge	30,248	–
Interest paid	(3,986)	–
Exchange realignment	83	–
Loss arising on changes of fair value	–	9,794
Redemption of convertible loan notes	(385,000)	–
	<hr/>	<hr/>
Carrying amount at 30 June 2011 (unaudited)	<u>328,242</u>	<u>152,590</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

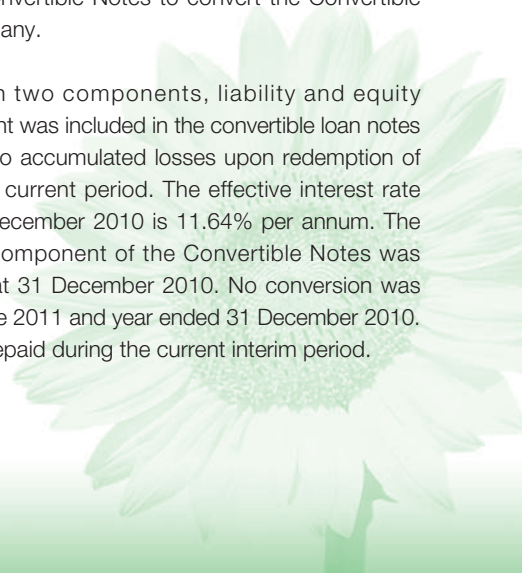
22. CONVERTIBLE LOAN NOTES (continued)

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

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

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

The Convertible Notes contain two components, liability and equity components. The equity component was included in the convertible loan notes equity reserve and is transferred to accumulated losses upon redemption of the Convertible Notes during the current period. The effective interest rate of the liability component at 31 December 2010 is 11.64% per annum. The carrying amount of the liability component of the Convertible Notes was approximately HK\$375,616,000 at 31 December 2010. No conversion was noted for the period ended 30 June 2011 and year ended 31 December 2010. The Convertible Notes were fully repaid during the current interim period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

22. CONVERTIBLE LOAN NOTES (continued)

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

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

The major terms of Convertible Bond are as follows:

- (i) Conversion option:
The Convertible Bond is convertible into shares of the Company at any time after the Issue Date up to, but excluding the close of business on the Maturity Date II at the conversion price of HK\$0.60 per share, subject to anti-dilutive adjustments (“Conversion Price”).
- (ii) Compulsory conversion option:
The Company has the compulsory conversion option to convert the Convertible Bond at any time starting from the first day after the second anniversary of the Issue Date and prior to the Maturity Date II, if the volume weighted average of the closing market price of the shares of the Company for any consecutive 20 business days (excluding any days on which the trading of the shares is suspended) (“Trading Days”) immediately preceding the date of exercise of such right exceeded 170% of the Conversion Price and there is a minimum daily trading value of HK\$7,800,000 for each of such 20 Trading Days. Then, the Company may, having given not less than 30 but not more than 60 days’ prior notice in writing to the Convertible Bondholder to convert all outstanding principal amount of the Convertible Bond into the Company’s shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

22. CONVERTIBLE LOAN NOTES (continued)

(b) (continued)

(iii) Bondholder's early redemption option:

The Convertible Bondholder shall be entitled by giving 10 business days prior written notice to the Company to require the Company to redeem the whole amount, or any part, of the Convertible Bond on the date falling on the second anniversary from the Issue Date, which is 5 June 2011. Prior to 5 June 2011, the Company was in the course of negotiating with the Convertible Bondholder to defer the exercise date of the early redemption option to a specified period of time up to 31 December 2011. On 18 August 2011, the Company and the Convertible Bondholder entered into a supplemental agreement, pursuant to which the Convertible Bondholder is entitled by giving at least 21 days prior written notice to the Company to require the Company to redeem the whole amount, or any part, of the Convertible Bond on 31 December 2011. The amount payable on redemption in such case is the amount which is equal to the aggregate of (i) the principal amount of the Convertible Bond to be redeemed; and (ii) a premium equal to 8.5% per annum, compounded annually, accrued from the Issue Date up to (but excluding) the date of redemption for such Convertible Bond to be redeemed, calculated on the basis of a 360 days a year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

The Convertible Bond contains a liability component, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

22. CONVERTIBLE LOAN NOTES (continued)

(b) (continued)

(iii) Bondholder's early redemption option: (continued)

The derivative component is measured at fair value at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss for the period ended 30 June 2011.

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

	30 June 2011	31 December 2010	5 June 2009
Stock price	HK\$0.45	HK\$0.39	HK\$0.60
Exercise price	HK\$0.60	HK\$0.60	HK\$0.60
Volatility (note)	56.5%	59%	50%
Dividend yield	0%	0%	0%
Option life	2.93 years	3.43 years	5 years
Risk free rate	0.83%	1.24%	2.83%

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

The fair value of the Convertible Bond with embedded derivatives was determined with reference to a valuation report carried out by an independent valuer, on Issue Date at approximately HK\$116,250,000. As at 30 June 2011, the carrying amount of the liability component of the Convertible Bond is approximately HK\$75,119,000 (31 December 2010: HK\$65,587,000) and the fair value of the derivative component of the Convertible Bond is approximately HK\$24,568,000 (31 December 2010: HK\$28,490,000). No conversion was noted for the periods ended 30 June 2011 and 2010.

As disclosed above, at 30 June 2011, the Company was in the course of negotiating with the Convertible Bondholder to defer the exercise date of the early redemption option to a specified period of time up to 31 December 2011 and thus the entire Convertible Bond was reclassified as current liabilities as at 30 June 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

22. CONVERTIBLE LOAN NOTES (continued)

- (c) On 11 April 2011 (“Issue Date II”), the Company issued a new convertible bond for a principal amount of HK\$360,000,000 (“Convertible Bond II”) to seven independent third parties (the “Convertible Bondholders”).

The maturity date of the Convertible Bond II is on 11 April 2014 (“Maturity Date III”). The Convertible Bond II carries 1.5% coupon interest per annum payable semi-annually and will be redeemed at its principal amount at the Maturity Date III by the Company.

The Convertible Bond II are convertible into shares at any time after the Issue Date II up to, but excluding, the close of business on the Maturity Date III at the conversion price of HK\$0.45 per share, subject to anti-dilutive adjustments.

The Convertible Bond II contains liability component and conversion option derivative (the “derivative component II”). The conversion option is classified as a derivative as it will be settled by an exchange of a variable amount of cash for a fixed number of the Company’s own equity instruments on the basis that the Convertible Bond II is denominated in foreign currency of the Company.

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 14.49% per annum.

The derivative component II 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 period ended 30 June 2011.

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

	30 June 2011	11 April 2011
Stock price	HK\$0.45	HK\$0.43
Exercise price	HK\$0.45	HK\$0.45
Volatility (note)	35.82%	37.62%
Dividend yield	0%	0%
Option life	2.78 years	3 years
Risk free rate	0.61%	1.26%

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

22. CONVERTIBLE LOAN NOTES (continued)

(c) (continued)

The fair value of the Convertible Bond II with embedded derivatives was determined with reference to a valuation report carried out by an independent valuer, on Issue Date II at approximately HK\$360,000,000. As at 30 June 2011, the carrying amount of the liability component of the Convertible Bond II is approximately HK\$253,123,000 and the fair value of the derivative component II of the Convertible Bond II is approximately HK\$128,022,000. No conversion was noted during the period ended 30 June 2011.

23. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1 January 2010 (audited),		
30 June 2010 (unaudited),		
31 December 2010 (audited) and		
30 June 2011 (unaudited)	4,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2010 (audited),		
30 June 2010 (unaudited),		
31 December 2010 (audited) and		
30 June 2011 (unaudited)	2,142,141,179	535,535

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

24. CONTINGENT LIABILITIES

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Cross guarantee given to banks, in respect of banking facilities to third parties		
– amount that could be required to be paid if the guarantee was called upon entirely	54,000	63,800
– amount utilised	49,200	47,560

The Group had provided guarantees to banks in respect of banking facilities granted to third parties 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.

25. SHARE-BASED PAYMENTS

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

	Number of share options
Outstanding at 1 January 2011 (audited) and 30 June 2011 (unaudited)	<u>283,518,810</u>

No share option was granted or exercised during the periods ended 30 June 2011 and 2010. No share option was lapsed during the period ended 30 June 2011 while 6,000,000 share options were lapsed during the period ended 30 June 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

26. NON-CASH TRANSACTIONS

For the period ended 30 June 2011

- (1) The balance due from an associate of HK\$9,976,000 at 31 December 2010 and part of the consideration receivable on disposal of Shanghai Tai Hung amounting to HK\$11,224,000 were settled by the receipt in advance that was included in other payable at 31 December 2010. Details are set out in note 4b and note 19.
- (2) Success East ceased to be an associate and became available-for-sale investment of the Group. Details are set out in note 4c.
- (3) The consideration receivable from disposal of the available-for-sale investments of RMB12,166,000 (equivalent to HK\$14,599,000) and a portion of the DTV technical service income of RMB\$59,834,000 (equivalent to HK\$71,801,000) were offset with the consideration payable on contract acquisition costs relating to DTV business of RMB72,000,000 (equivalent to HK\$86,400,000).

For the period ended 30 June 2010

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

27. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with PRC government-related entities

The Group operates in an economic environment currently pre-denominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with Shougang Holding (Hong Kong) Limited ("Shougang Holding") and its subsidiaries (collectively refer to the "Shougang HK Group") (which are disclosed below), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

Shougang Holding is a substantial shareholder with significant influence over the Company. Shougang Holding is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

27. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with PRC government-related entities

(continued)

(i) Transactions with Shougang HK Group

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Management fees paid to Shougang HK Group	330	810

(ii) Transactions with other PRC government-related entities

The Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In addition, the Group also carried out intelligent information business with certain government-related entities. In view of the nature of these transactions, the directors are of the opinion that separate disclosure would not be meaningful.

In addition, the Group entered into a cooperation arrangement with Guangdong Southern Yinshi Network Media Company Limited ("Southern Yinshi") which is a PRC government-related entity, to jointly operate a platform in the Guangdong Province for the provision of multi-media information services based on a cabled DTV network. During the current interim period, the Group has received technical service fee amounting to approximately HK\$99,000,000 (2010: HK\$48,000,000) which represents 48% (2010: 26%) of total revenue of the Group. As at 30 June 2011, trade receivable due from Southern Yinshi amounts to approximately HK\$188,000,000 (31 December 2010: HK\$161,000,000) which represents 65% (2010: 66%) of total trade receivables of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

27. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel

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

	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Short term benefits	2,388	2,388
Post-employment benefits	120	120
	2,508	2,508

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

28. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (a) On 21 June 2011, the Group entered into an agreement with the Purchaser to dispose the Assets with a carrying amount of approximately HK\$7,135,000 at a consideration of HK\$55,000,000 as disclosed in note 17.

In May 2011, the Group entered into an agreement with Remarkable, previously an indirect wholly-owned subsidiary of the Company, for the purchase of certain equipment (the "Equipment") from Remarkable, at a consideration of HK\$28,000,000 for the purpose of disposing to the Purchaser at a consideration of HK\$28,880,000. The disposal of the Equipment by the Group is subject to the completion of the disposal of the Assets.

Having obtained approval from the Lessor, the disposals of the Assets and Equipment were completed on 22 July 2011. The Group estimated the gain on disposal to be approximately HK\$38,000,000 after deducting the transaction costs of approximately HK\$10,321,000.

- (b) As disclosed in note 22(b)(iii), the Company and the Convertible Bondholder entered into a supplemental agreement on 18 August 2011, pursuant to which the Convertible Bondholder is entitled by giving at least 21 days prior written notice to the Company to redeem the whole amount, or any part, of the Convertible Bond on 31 December 2011. All other terms for the redemption of Convertible Bond remain unchanged.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**Deloitte.**
德勤**TO THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED**


首長科技集團有限公司

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

We have reviewed the interim financial information set out on pages 3 to 48, which comprises the condensed consolidated statement of financial position of Shougang Concord Technology Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover from the continuing operations for the six months ended 30 June 2011 amounted to HK\$205.5 million (for the six months ended 30 June 2010: HK\$185.7 million (restated)), representing an increase of 11% over the corresponding period of the previous year. The increase in turnover was attributable to a steady income stream recorded in system integration solution services and growing income stream from digital television business services.

Loss attributable to the owners of the Company for the period amounted to HK\$51.6 million (for the six months ended 30 June 2010: profit of HK\$4.8 million). Loss for the period was solely attributable to continuing operations while profit for the six months ended 30 June 2010 was mainly attributable to the profit derived from continuing operations of HK\$20.8 million, less loss derived from discontinued operations of HK\$15.0 million (restated). The basic loss per share of the Group for the six months ended 30 June 2011 was HK2.41 cents (for the six months ended 30 June 2010: profit of HK0.22 cents). By excluding the discontinued operations of 2010, the basic loss per share from continuing operations for the six months ended 30 June 2010 was HK0.92 cents (restated).

As at 30 June 2011, the Group's equity attributable to the owners of the Company amounted to HK\$1,228.9 million, representing a decrease of HK\$20.8 million over the audited figure as at 31 December 2010 of HK\$1,249.7 million. The net asset value per share attributable to the owners of the Company as at 30 June 2011 was HK\$0.57 (31 December 2010: HK\$0.58).

Digital Television Business Services

For the six months ended 30 June 2011, the Group, pursuant to the cooperative agreement it had entered into in the second half of 2010, received technical service fee income amounting to approximately HK\$98.7 million (six months ended 30 June 2010: HK\$47.6 million). The rise in service fee income received was mainly due to the reorganization of the digital television business which results in the change of income sharing model and contributes to the increase of income. Besides, the increasing number of new subscribers during the period and the provision of more advanced digital television technology solutions by the Group through making use of more advanced equipment newly acquired contribute to the overall increase in technical service fee income.

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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 the system integration solution services for the six months ended 30 June 2011 amounted to HK\$100.5 million (six months ended 30 June 2010: HK\$135.0 million) and HK\$13.6 million (six months ended 30 June 2010: HK\$9.2 million) respectively.

During the period, the Group invested approximately HK\$1.8 million for acquisition of 15% equity interest in 浙江世紀協和節能科技有限公司 with an aim to go in line with the rapid growth of the energy saving and environmental protection advocating industry in China and strive to develop the energy saving 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.

PROSPECT

Through the resources integration and effective management, 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.

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 as well as continuously developing energy saving equipment. 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 solution and products in accordance with energy-saving requirements of the mobile network companies. The Group believes that the new energy-saving business will bring considerable return to the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 30 June 2011, as compared to 31 December 2010 is summarized below:

	As at	
	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Total debt		
– from bank	1,035,046	795,960
– from convertible loan notes	328,242	441,203
Sub-total	1,363,288	1,237,163
Cash and bank deposits	71,130	210,318
Net debt	1,292,158	1,026,845
Total capital (equity and total debt)	2,592,192	2,486,834
Total assets	3,404,223	3,234,810
Financial leverage		
– net debt to total capital	49.8%	41.3%
– net debt to total assets	38.0%	31.7%

FINANCING ACTIVITIES

During the period, the Group has raised new borrowings of HK\$398.8 million, which were bank loans matured within one year and were mainly used to provide working capital for the subsidiaries of the Group. Besides, the Group has issued new convertible loan notes with an aggregate principal amount of HK\$360.0 million, which were mainly used to repay the convertible loan notes with an aggregate principal amount of HK\$385.0 million due in April 2011.

FOREIGN EXCHANGE EXPOSURE

The ordinary 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 may be affected by the volatility of Renminbi. The Group will review its foreign exchange exposure regularly and may consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 30 June 2011, there were no derivative financial instruments employed by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL STRUCTURE

As at 30 June 2011, the number of ordinary shares in issue and the issued share capital of the Company were 2,142,141,179 (31 December 2010: 2,142,141,179) and approximately HK\$535.5 million (31 December 2010: HK\$535.5 million) respectively.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than those disclosed in the paragraph under “Business Review” above, the Group had no other material acquisition, disposals and significant investment during the six months ended 30 June 2011.

CONTINGENT LIABILITIES

As at 30 June 2011, the contingent liabilities of the Group were arisen from cross guarantees given by a subsidiary of the Group of HK\$54,000,000 (31 December 2010: HK\$63,800,000) for credit facilities granted to third parties, of which HK\$49,200,000 (31 December 2010: HK\$47,560,000) was utilised.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 333 employees as at 30 June 2011.

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 basic salaries, allowances, pension schemes, discretionary bonuses and share options.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2011 (2010: Nil).

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

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

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

The Directors of the Company who held office at 30 June 2011 had the following interests in the shares and underlying shares of the Company as at 30 June 2011 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2011
		Interests in shares	Interests in underlying shares*	Total interests	
Li Shaofeng	Beneficial owner	-	21,000,000	21,000,000	0.98%
Mung Kin Keung	Beneficial owner, interests of a controlled corporation	115,614,000	21,000,000	136,614,000	6.37%
Chau Chit	Beneficial owner, 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" below.*

- # *Mr. Chau Chit, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 17 December 2010 (being the latest disclosure form filed up to 30 June 2011) 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 Chit. The interest held by Mega Start is disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable under the SFO" below.*

Save as disclosed above, as at 30 June 2011, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2011.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2011, according to the register kept by the Company under Section 336 of the SFO, 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:

Long positions in the shares and underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2011	Note(s)
		Interests in shares	Interests in underlying shares	Total interests		
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	401,599,220	–	401,599,220	18.74%	1
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	–	231,515,151	10.80%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner, interests of controlled corporations	170,084,069	–	170,084,069	7.93%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	–	124,069,394	5.79%	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	–	124,069,394	5.79%	3
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	–	124,069,394	5.79%	3
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	–	124,069,394	5.79%	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 were held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2011	Note(s)
		Interests in shares	Interests in underlying shares	Total interests		
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	–	124,069,394	5.79%	3
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	–	301,160,000	14.05%	4
Temasek Holdings (Private) Limited ("Temasek")	Interests of controlled corporations	133,523,480	–	133,523,480	6.23%	5
Singapore Technologies Engineering Ltd ("ST Engineering")	Interests of a controlled corporation	133,523,480	–	133,523,480	6.23%	5
Singapore Technologies Electronics Limited ("ST Electronics")	Beneficial owner	133,523,480	–	133,523,480	6.23%	5
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%	6
Sino Power Management Limited	Beneficial owner	–	200,000,000	200,000,000	9.33%	7
Keen Front Group Limited	Beneficial owner	–	130,000,000	130,000,000	6.06%	7
Energy Business Investment Ltd.	Beneficial owner	–	120,000,000	120,000,000	5.60%	7

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

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

Notes:

1. Shougang Holding indicated in its disclosure form dated 22 January 2010 (being the latest disclosure form filed up to 30 June 2011) 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 5 May 2011 (being the latest disclosure form filed up to 30 June 2011) that as at 17 April 2011, 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. 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.
5. Temasek indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2011) that as at 4 March 2008, its interests included the interest held by ST Engineering which was held as to 50.77% by Temasek.

ST Engineering indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 30 June 2011) that as at 4 March 2008, its interests included the interest held by ST Electronics which is a wholly-owned subsidiary of ST Engineering.
6. The interest is zero coupon convertible bond due 2014 issued by the Company pursuant to the subscription agreement dated 13 May 2009 in the principal amount of US\$15,000,000. The initial conversion price of the said convertible bond is HK\$0.60 per share (subject to adjustment).
7. The interests are 1.5% convertible bonds due 2014 issued by the Company pursuant to the subscription agreements dated 3 March 2011 with an aggregate principal amount of HK\$360,000,000. The initial conversion price of the said convertible bonds is HK\$0.45 per share (subject to adjustment).

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

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

Save as disclosed above, as at 30 June 2011, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was granted, exercised, lapsed or cancelled in accordance with the terms of the Scheme during the six months ended 30 June 2011. Details of the outstanding share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company				
Li Shaofeng	21,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.420
	21,000,000			
Mung Kin Keung	10,000,000	16.12.2009	16.12.2009 – 15.12.2019	HK\$0.596
	11,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.420
	21,000,000			
Chau Chit	10,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	8,750,000	16.12.2009	16.12.2009 – 15.12.2019	HK\$0.596
	3,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.420
	21,750,000			
Leung Shun Sang, Tony	4,816,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	3,200,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	423,810	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	15,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	23,439,810			

SHARE OPTIONS (continued)

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)				
Chan Wah Tip, Michael	400,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	<u>3,914,000</u>			
Lee Fook Sun	<u>1,800,000</u>	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	<u>1,800,000</u>			
Wong Kun Kim	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	<u>3,514,000</u>			
Leung Kai Cheung	<u>1,800,000</u>	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	<u>1,800,000</u>			
	<u>98,217,810</u>			
Employees of the Group	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	79,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	<u>83,000,000</u>			
Other participants	40,130,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	14,069,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	11,982,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	8,720,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	27,400,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	<u>102,301,000</u>			
	<u>283,518,810</u>			

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2011 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 19 August 2011 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2011.

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

The following is the change in the information of a Director since the date of the 2010 Annual Report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Li Shaofeng, the Chairman of the Company, has been re-designated from the chairman and managing director of Shougang Concord Century Holdings Limited ("Shougang Century") to the chairman of Shougang Century with effect from 1 April 2011.

APPRECIATION

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

By Order of the Board

Li Shaofeng

Chairman

Hong Kong, 26 August 2011