Annual Report 2011

SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

Stock Code : 521

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Shaofeng *(Chairman)*
Mung Kin Keung *(Vice Chairman)*
Chau Chit *(Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
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)*
Leung Kai Cheung
Wong Wai Kwan

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS

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

REGISTERED OFFICE

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

STOCK CODE

521

WEBSITE

www.shougang-tech.com.hk

Mr. Li Shaofeng, aged 45, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Chairman of the Company in May 2010 and is a member of each of the Executive Committee and the Investment Committee of the Company. He joined Shougang Corporation, the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), in 1989 and is the vice chairman and managing director of Shougang Holding and a director of each of Asset Resort Holdings Limited ("Asset Resort") and Wheeling Holdings Limited ("Wheeling"). Each of Shougang Holding, Asset Resort and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Li is the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International") and the chairman of each of Shougang Fushan Resources Group Limited (formerly Fushan International Energy Group Limited) ("Shougang Resources"), Shougang Concord Century Holdings Limited ("Shougang Century"), Shougang Concord Grand (Group) Limited ("Shougang Grand"), and Global Digital Creations Holdings Limited ("GDC"). He is also a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li is a director of Mount Gibson Iron Limited ("Mount Gibson"), a company listed on the Australian Securities Exchange, and was an alternate director to Mr. Cao Zhong, an ex-director of Mount Gibson, from November 2011 to February 2012. He has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

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

DIRECTORS' BIOGRAPHIES

Mr. Mung Kin Keung, aged 51, holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. Mr. Mung was appointed an Executive Director of the Company in February 2009 and the Vice Chairman of the Company in May 2010 and is the chairman of each of the Nomination Committee and the Investment Committee, the vice chairman of the Remuneration Committee and a member of the Executive Committee of the Company. He is the chairman and an executive director of Mastermind Capital Limited and an executive director of Hong Kong Resources Holdings Company Limited, both of which are listed companies in Hong Kong. Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years of experience in areas of business management, strategic planning and development.

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

Mr. Chau Chit, aged 46, graduated from Zhejiang University. Mr. Chau was appointed an Executive Director of the Company in June 2006 and is currently the Managing Director and the chairman of the Executive Committee and a member of the Investment Committee of the Company. Mr. Chau is a director and the sole shareholder of Mega Start Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

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

Mr. Leung Shun Sang, Tony, aged 69, holds a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in April 1993 and is the chairman of the Remuneration Committee, the vice chairman of the Nomination Committee and a member of the Investment Committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Resources, Shougang Century, Shougang Grand and GDC. Mr. Leung is the managing director of CEF Group. He has over 40 years of experience in finance, investment and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Leung is HK$190,000. For the financial year ending 31 December 2012, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Lee Fook Sun, aged 55, graduated from the University of Oxford with a Bachelor of Arts (Honours) and a Master of Arts (Engineering Science) degree and completed the Stanford Executive Programme at Stanford University. Mr. Lee was appointed a Non-executive Director of the Company in December 2007. He served in the Singapore Ministry of Defence as Director of Joint Intelligence Directorate from 1996 to 2000 and retired from active military services with a rank of Brigadier General. Currently, Mr. Lee is the President of Singapore Technologies Electronics Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

An engagement letter was entered into with Mr. Lee for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Lee is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Lee is HK$150,000. For the financial year ending 31 December 2012, the director's fee of Mr. Lee will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Lee. Such director's fees were determined with reference to Mr. Lee's experience and duties as well as the then prevailing market conditions.

Mr. Wong Kun Kim, aged 67, holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Wong is licensed as a responsible officer of each of Asia Investment Management Limited and Asia Investment Research Limited under the SFO. He has over 35 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. Mr. Wong had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America and is currently an independent non-executive director of Sunway International Holdings Limited, a Hong Kong listed company.

An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Wong is HK$240,000. For the financial year ending 31 December 2012, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

Mr. Leung Kai Cheung, aged 66, graduated from the Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investment Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Leung had been a senior executive of Citibank, N.A. and the general manager of Barclays Bank PLC in charge of Kowloon and New Territories district. He is currently the chairman of each of Star International Enterprises Limited and Shinon Technologies Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

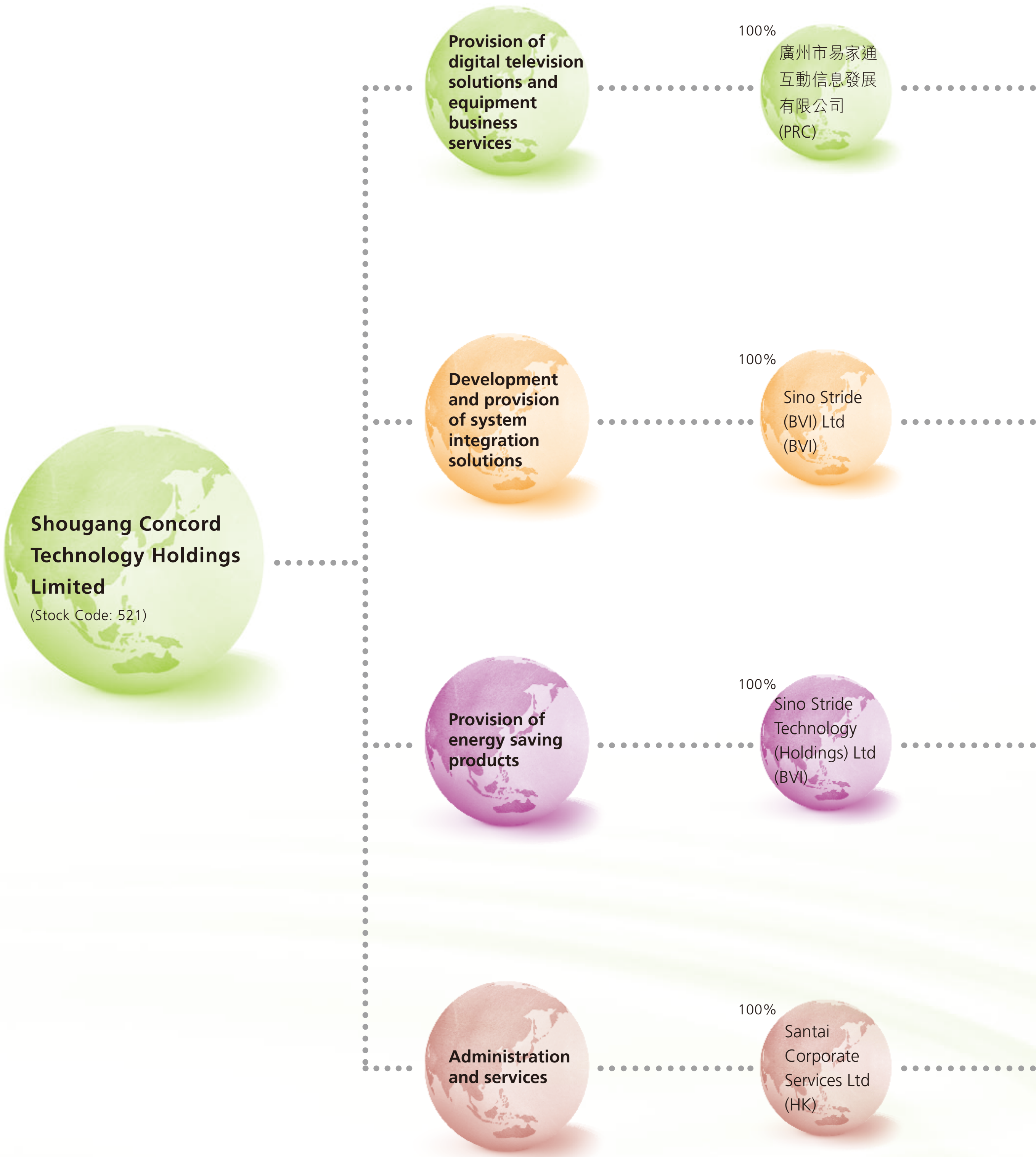
An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Leung is HK$240,000. For the financial year ending 31 December 2012, the director's fee of Mr. Leung will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Wong Wai Kwan, aged 44, holds a bachelor degree in accountancy from City University of Hong Kong and a master degree in business administration from Washington University in St. Louis, U.S.A. Mr. Wong was appointed an Independent Non-executive Director of the Company in June 2010 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Currently, Mr. Wong is the general manager of the internal audit department of Fosun International Limited, a Hong Kong listed company. Mr. Wong has extensive working experience in the audit and consulting areas, particularly in IPO, risk management and merger and acquisition.

An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Wong is HK$240,000. For the financial year ending 31 December 2012, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2011



MAIN OPERATIONAL STRUCTURE

100% 中程科技廣州有限公司 (PRC)

100% 陽江市陽春易家通信息技術有限公司 (PRC)

100% 深圳市泰格信息科技開發有限公司 (PRC)

100% Chongqing Sinostride Technology Co., Ltd. (PRC)

100% Sino Stride (HK) Ltd (HK)

78.50% Sinostride Technology Co., Ltd (PRC)

100% 北京中程滙強科技有限公司 (PRC)

100% Hangzhou Sinostride Industrial (Group) Co., Ltd. (PRC)

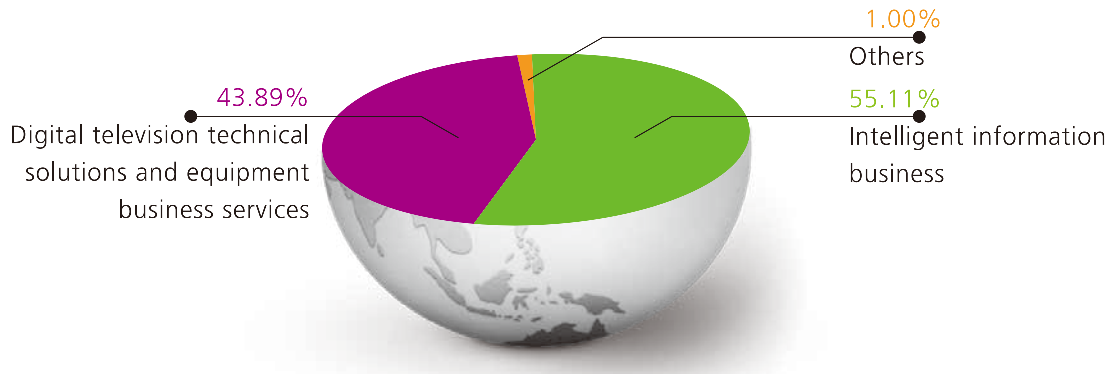
80% 浙江協和光電科技有限公司 (PRC)

51% 浙江中程節能技術有限公司 (PRC)

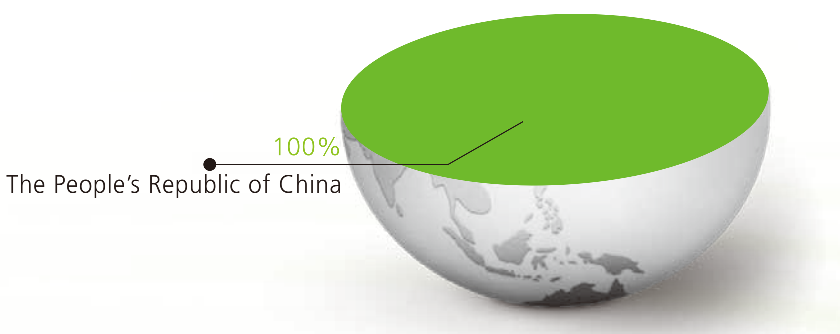
100% Aberdeen Investments Ltd (Samoa)

FINANCIAL HIGHLIGHTS

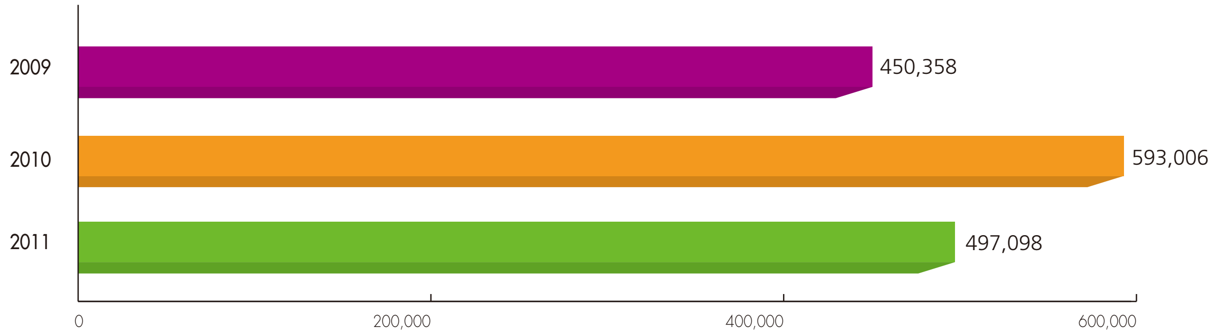
TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2011



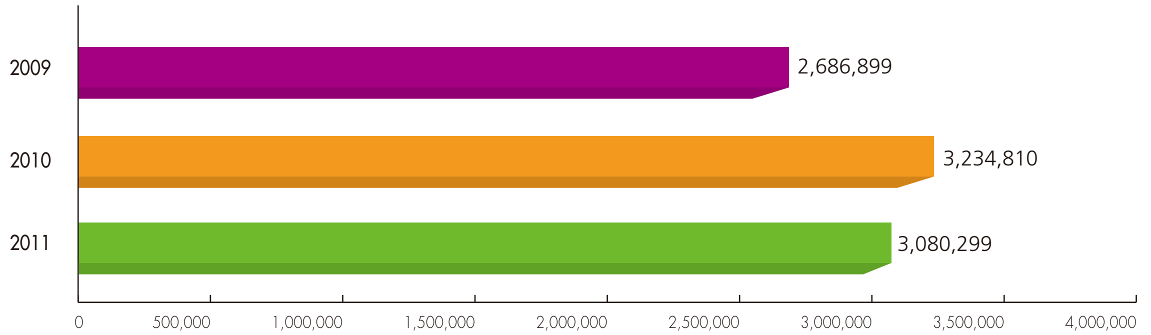
TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2011



TURNOVER
HK$'000



TOTAL ASSETS
HK$'000



CHAIRMAN'S STATEMENT

Achievement of desirable growth along a prudent path has been the goal for the Group in year 2011. For the year under review, the Group swung to a loss attributable to shareholders of HK$148,600,000. However, excluding the goodwill impairment charge of HK$110,600,000 for system integration solution services in accordance with International Accounting Standards, and an increase of approximately HK$37,900,000 in provision for income tax expenses derived from domestic company tax rate hike, the Group recorded a relatively insignificant loss of HK$100,000 during the year.

Despite negative impact of national macroeconomic policies and property curbs, which impose stricter surveillance on projects causing delays and reducing realized income, both digital television business service and system integration solution services recorded a stable growth under more effective cost control measures.

With reference to the announcement dated 14 December 2011, the Company has been informed by Southern Media Corporation on the reform measures regarding the reorganization of the cable digital broadcasting networks of Guangdong Province. The network would become centralized under control of provincial broadcasting network company. Subsequently, the Company will no longer be able to operate its digital television business under the existing structure. Given the circumstances, the Company agreed to dispose the Company's interest in the digital television business. The Company entered into an agreement on 23 December 2011 to sell the entire issued share capital in South China Digital TV Holdings Limited to the purchaser, who might own the right to operate the digital television business after the enforcement of the reform measures. Upon completion of the disposal, the Company will no longer have any interest in South China Digital TV Holdings Limited. Digital television business services has been classified as discontinued operation for the year 2011.

Subsequent to the above disposal, the Company's continuing operations comprise development and provision of system integration solution services, design of system and sale of system hardware. Through the disposal and the discontinuance of operation in digital television business services, the Company is actively seeking new investment and business opportunities with an aim to generate stable and higher return to shareholders.

The Group is committed to promote and develop the energy saving product business such as devising a series of energy saving products for the telecommunication base stations. It is expected that the new business would be growth engine for the Group in the future. Meanwhile, upon acquisition of 80% stake of Zhejiang Concord Optic-Electronic Technology Company Limited in 2010, the Group foresees to develop a bright prospect in its LED lighting business during the last expansion of the industry.

On behalf of the Board of Directors, I would like to express our sincere gratitude to our customers, suppliers, shareholders and business partners for their whole hearted support. We are also thankful for dedication by management and staff to endeavor continuous improvement of the Group throughout the year.

Li Shaofeng
Chairman

Hong Kong, 22 March 2012

BUSINESS REVIEW

Turnover from continuing operations for the year ended 31 December 2011 amounted to HK$282.7 million (31 December 2010: HK$324.4 million (restated)), representing a decrease of 13% over the previous year. The decline in turnover was mainly attributable to the negative impact on system integration solution services business due to the macroeconomic measures and policies on property curbs by the PRC. Stricter surveillance by the PRC government resulted in a slowdown in the progress of projects, which in turn led to a drop in realized income for the year under review.

Loss attributable to the owners of the Company for the year amounted to HK$148.6 million (31 December 2010: profit of HK$9.5 million), analyzed as follows:

	2011	2010
	HK$'000	HK$'000
		(Restated)
Loss from continuing operations	**(169,973)**	(79,028)
Profit (loss) from discontinued operations:		
– Digital television business services	**21,331**	99,921
– Traditional business	**–**	(13,588)
– High precision metal components business	**–**	2,202
	21,331	88,535
(Loss) profit attributable to the owners of the Company for the year	**(148,642)**	9,507

Basic (loss) earnings per share of the Group:

	2011	2010
	HK cents	HK cents
		(Restated)
– Basic loss per share from continuing operations	**(7.76)**	(3.69)
– Basic earnings per share from discontinued operations	**0.97**	4.13
Basic (loss) earnings per share from continuing and discontinued operations of the Group	**(6.79)**	0.44

BUSINESS REVIEW *(Continued)*

As at 31 December 2011, the Group's equity attributable to the owners of the Company amounted to HK$1,205.7 million, representing a decrease of HK$44.0 million over the figure as at 31 December 2010 of HK$1,249.7 million. The net assets value per share attributable to the owners of the Company as at 31 December 2011 was HK$0.54 (31 December 2010: HK$0.58).

Digital Television Business Services

During the year, the Group received technical service fee income amounting to approximately HK$214.4 million (2010: HK$156.1 million). The rise in service fee income received was mainly due to the reorganization of the digital television business in the second half of 2010. 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 year 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.

As announced in the Company's announcement dated 14 December 2011, the Company has been advised by Southern Media Corporation of the reform measures about the reorganization of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company. As a result, the Company will no longer be able to operate the digital television business under the existing structure. In the circumstances, the Company decided to exit the digital television business and entered into the disposal agreement with the purchaser on 23 December 2011 to transfer the Company's entire interest in South China Digital TV Holdings Limited to the purchaser, who may have the right to operate the digital television business after the enforcement of the reform measures. After completion of the disposal, the Company will no longer hold any interest in South China Digital TV Holdings Limited, and the digital television business has been classified as discontinued business during the year.

After the Disposal, the Company's remaining business would be the development and provision of system integration solutions, system design and sale of system hardware. With the Company's exit from the digital television business as a result of the disposal, the Company will actively explore new businesses for investments and developments to maximize return to shareholders in the future.

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 during the year amounted to HK$273.9 million (2010: HK$316.6 million) and HK$27.9 million (2010: HK$18.3 million) respectively. As disclosed in the paragraph under "Business Review", the decline in turnover was mainly attributable to a slowdown in the progress of projects. However, operating profit rose substantially by HK$9.6 million due to more effective cost control for the year. During the year, the Group undertook a number of large-scale intelligent building projects and the business is expected to post a sustainable growth in the future.

BUSINESS REVIEW *(Continued)*

System Integration Solution Services *(Continued)*

During the year, 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 by way of disposal of digital television business and certain other disposals, the Group has redeployed resources in system integration solution services. The Group will also actively explore new businesses for investments and development to maximize return to shareholders in the future.

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.

LIQUIDITY AND FINANCIAL RESOURCES

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

	As at	
	31 December 2011 HK$'000	31 December 2010 HK$'000
Total debt		
– from bank	**516,111**	795,960
– from convertible loan notes	**323,438**	441,203
– from a related company, a shareholder and a third party	**93,530**	–
Sub-total	**933,079**	1,237,163
Pledged bank deposits	**(333,106)**	(245,142)
Cash and bank deposits	**(118,870)**	(210,318)
Net debt	**481,103**	781,703
Total capital (equity and total debt)	**2,138,761**	2,486,834
Total assets	**3,080,299**	3,234,810
Financial leverage		
– net debt to total capital	**22.5%**	31.4%
– net debt to total assets	**15.6%**	24.2%

FINANCING ACTIVITIES

During the year, the Group has raised new borrowings of HK$731.2 million from banks, a related company, a shareholder and a third party to provide working capital for the Group. Moreover, 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.

CHARGE ON ASSETS

As at 31 December 2011, investment properties of HK$40.8 million, leasehold land and buildings of HK$11.2 million, bank deposits of HK$341.4 million and bills receivables of HK$2.5 million were pledged to banks to secure banking facilities (including bank borrowings and bills payables) granted to the Group.

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 31 December 2011, there were no derivative financial instruments employed by the Group.

CAPITAL STRUCTURE

During the year, the Group issued 100,000,000 ordinary shares and the issued share capital was HK$25 million. As at 31 December 2011, the number of ordinary shares in issue and issued share capital of the Company were 2,242,141,179 (31 December 2010: 2,142,141,179) and approximately HK$560.5 million (31 December 2010: HK$535.5 million) respectively.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

During the year, the Group completed the disposal of certain leasehold land and buildings located in Tai Po Industrial Estate at a consideration of HK$55 million which resulted in a gain on disposal amounted to HK$37.6 million.

Moreover, the Group entered into two disposal agreements on 12 December 2011 to dispose the entire interest in Santai Electronics Limited and Aberdeen Investments Limited which are principally engaged in property investment businesses to two purchasers through two subsidiaries. The disposals would streamline the Group's businesses and would enable a deployment of richer resources on operations which would generate higher returns and/or are possessed with higher potential.

CONTINGENT LIABILITIES

As at 31 December 2011, the contingent liabilities of the Group were arisen from cross guarantees given by a subsidiary of RMB45 million (31 December 2010: RMB55 million) for credit facilities granted to a third party, and the amount utilized was RMB41 million (31 December 2010: RMB41 million).

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 326 employees as at 31 December 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 salary, discretionary bonuses, pension schemes, medical subsidies and share options as part of their staff benefits.

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2011.

BOARD OF DIRECTORS

Composition

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

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

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

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

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

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

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

BOARD OF DIRECTORS *(continued)*

Role and function

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

Board meetings

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

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

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

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

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

BOARD OF DIRECTORS *(continued)*

Attendance records

During the financial year ended 31 December 2011, the Directors have made active contribution to the affairs of the Group and four Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance records in 2011 are as follows:

	Meetings attended/Eligible to attend
Executive Directors	
Li Shaofeng	4/4
Mung Kin Keung	4/4
Chau Chit	4/4
Non-executive Directors	
Leung Shun Sang, Tony	4/4
Lee Fook Sun	0/4
Chan Wah Tip, Michael *(resigned on 1 January 2012)*	3/4
Independent Non-executive Directors	
Wong Kun Kim	4/4
Leung Kai Cheung	4/4
Wong Wai Kwan	4/4

Access to information

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

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

BOARD OF DIRECTORS *(continued)*

Appointment and re-election of Directors

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

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

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

Independent Non-executive Directors

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

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

Directors' and officers' liability

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

CHAIRMAN AND MANAGING DIRECTOR

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

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

BOARD COMMITTEES

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

Executive Committee

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

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

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

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

Audit Committee

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

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

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

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

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

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

	Meetings attended/Eligible to attend
Wong Kun Kim *(Chairman)*	2/2
Leung Kai Cheung	2/2
Wong Wai Kwan	2/2
Chan Wah Tip, Michael *(ceased to act as a member from 1 January 2012)*	2/2

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

- reviewing the final results of the Group for the financial year ended 31 December 2010; and

- reviewing the interim results of the Group for the six months ended 30 June 2011.

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

Nomination Committee

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

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;

- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and

- assessing the independence of Independent Non-executive Directors.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

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

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

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

	Meetings attended/Eligible to attend
Mung Kin Keung *(Chairman)*	1/1
Leung Shun Sang, Tony *(Vice Chairman)*	1/1
Wong Kun Kim	1/1
Leung Kai Cheung	1/1
Wong Wai Kwan	1/1

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

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

BOARD COMMITTEES *(continued)*

Remuneration Committee

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

The principal duties of the Remuneration Committee include:

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

- reviewing and approving performance-based remuneration;

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

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

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

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

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

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

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

	Meetings attended/Eligible to attend
Leung Shun Sang, Tony *(Chairman)*	1/1
Mung Kin Keung *(Vice Chairman)*	1/1
Wong Kun Kim	1/1
Leung Kai Cheung	1/1
Wong Wai Kwan	1/1

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

During the year, one meeting of the Remuneration Committee was held for, amongst other things:

- considering and reviewing the remuneration of the Executive Directors of the Company for the year 2012;
- determining the bonuses of the Executive Directors of the Company for the year 2011; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2012.

Investment Committee

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

BOARD COMMITTEES *(continued)*

Investment Committee *(continued)*

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

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

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

INTERNAL CONTROL

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

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

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

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

INTERNAL CONTROL *(continued)*

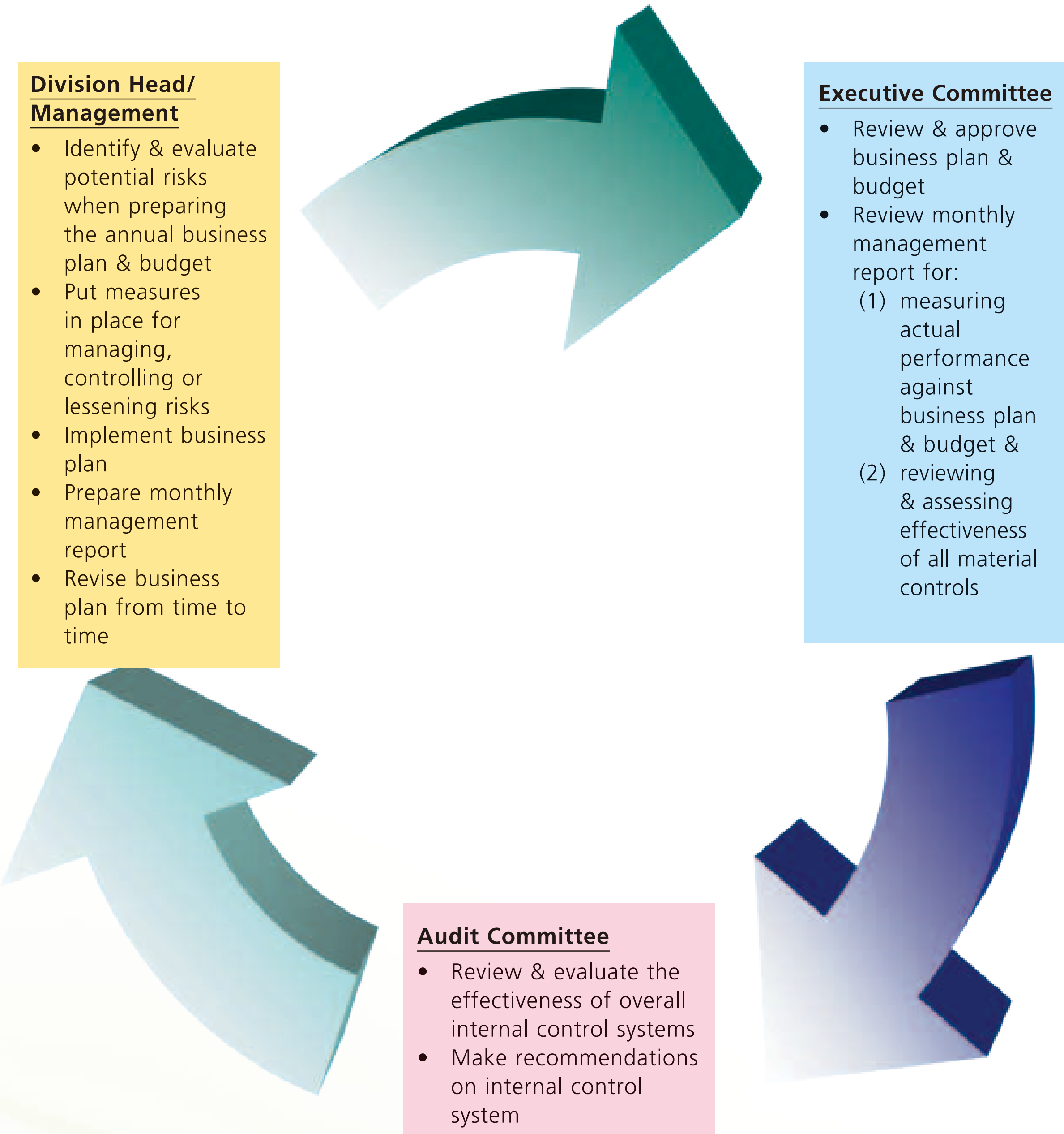
The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and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

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

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

INTERNAL CONTROL *(continued)*

Internal control system



INTERNAL CONTROL *(continued)*

Internal control system *(continued)*

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2011.

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

AUDITOR'S REMUNERATION

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

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	3,080
Non-audit services:	
Taxation	263
	3,343

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 46 to 47 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries, associates and jointly controlled operations are set out in notes 23, 24 and 25 of this annual report respectively.

RESULTS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the financial statements on pages 48 to 193 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2010: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 194 of this annual report.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 39 to the financial statements.

CONVERTIBLE LOAN NOTES

Details of movements in the Company's convertible loan notes during the year are set out in note 38 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 53 to 55 of this annual report and in note 41 to the financial statements, respectively.

DONATIONS

No charitable donation was made by the Group during the year (2010: HK$229,000).

DIRECTORS

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

Li Shaofeng
Mung Kin Keung
Chau Chit
Leung Shun Sang, Tony
Lee Fook Sun
Wong Kun Kim*
Leung Kai Cheung*
Wong Wai Kwan*
Chan Wah Tip, Michael *(resigned on 1 January 2012)*

* *Independent Non-executive Directors*

In accordance with clause 103(A) of the Company's articles of association, Messrs. Li Shaofeng, Chau Chit, and Leung Kai Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

The Directors of the Company who held office at 31 December 2011 had the following interests in the shares and underlying shares of the Company as at 31 December 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company: Interests in shares	Interests in underlying shares	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2011
Li Shaofeng	Beneficial owner	–	21,000,000*	21,000,000	0.93%
Mung Kin Keung	Beneficial owner, interests of controlled corporations	115,614,000	121,000,000*&	236,614,000	10.55%
Chau Chit	Beneficial owner, interests of a controlled corporation	316,598,000#	21,750,000*	338,348,000	15.09%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	23,439,810*	43,439,810	1.93%
Chan Wah Tip, Michael	Beneficial owner	–	3,914,000*	3,914,000	0.17%
Lee Fook Sun	Beneficial owner	–	1,800,000*	1,800,000	0.08%
Wong Kun Kim	Beneficial owner	–	3,514,000*	3,514,000	0.15%
Leung Kai Cheung	Beneficial owner	1,714,000	1,800,000*	3,514,000	0.15%

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

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

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

& *Mr. Mung Kin Keung, who is also a substantial shareholder of the Company, indicated in his disclosed form dated 14 November 2011 (being the latest disclosure form filed up to 31 December 2011) that as at 10 November 2011, his interests in underlying shares included unlisted physically settled convertible bonds due 2014 issued by the Company pursuant to the subscription agreement dated 3 March 2011. Upon full conversion, 100,000,000 ordinary shares of HK$0.25 each in the share capital of the Company are issuable.*

Mr. Chau Chit, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 14 July 2011 (being the latest disclosure form filed up to 31 December 2011) that as at 11 July 2011, 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 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

Such business may be carried out through its subsidiaries.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 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: Interests in shares	Interests in underlying shares	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2011	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	401,559,220	–	401,559,220	17.90%	*1*
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	–	231,515,151	10.32%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner, interests of controlled corporations	170,044,069	–	170,044,069	7.58%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	–	124,069,394	5.53%	*2*
Li Ka-shing ("Mr. Li")	Interests of controlled corporations, founder of discretionary trusts	124,069,394	–	124,069,394	5.53%	*2*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	–	124,069,394	5.53%	*2*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	–	124,069,394	5.53%	*2*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	–	124,069,394	5.53%	*2*

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: Interests in shares	Interests in underlying shares	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2011	*Note(s)*
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	–	301,160,000	13.43%	*3*
Temasek Holdings (Private) Limited ("Temasek")	Interests of controlled corporations	133,523,480	–	133,523,480	5.95%	*4*
Singapore Technologies Engineering Ltd ("ST Engineering")	Interests of a controlled corporation	133,523,480	–	133,523,480	5.95%	*4*
Singapore Technologies Electronics Limited ("ST Electronics")	Beneficial owner	133,523,480	–	133,523,480	5.95%	*4*
Expert China Investments Limited	Beneficial owner	230,000,000	–	230,000,000	10.25%	
Templeton Asset Management Ltd.	Investment manager	–	193,749,999	193,749,999	8.64%	*5*
Keen Front Group Limited	Beneficial owner	–	130,000,000	130,000,000	5.79%	*6*
Energy Business Investment Ltd.	Beneficial owner	–	120,000,000	120,000,000	5.35%	*6*
Link Chance Investment Limited	Beneficial owner	–	200,000,000	200,000,000	8.92%	*6*

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 14 July 2011 (being the latest disclosure form filed up to 31 December 2011) that as at 11 July 2011, its interests included the interests held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. 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.

3. Mega Start was wholly-owned by Mr. 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.

4. Temasek indicated in its disclosure form dated 13 July 2011 (being the latest disclosure form filed up to 31 December 2011) that as at 11 July 2011, its interests included the interest held by ST Engineering which was held as to 50.92% by Temasek.

   ST Engineering indicated in its disclosure form dated 13 July 2011 (being the latest disclosure form filed up to 31 December 2011) that as at 11 July 2011, its interests included the interest held by ST Electronics which was a wholly-owned subsidiary of ST Engineering.

5. 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).

6. 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).

Save as disclosed above, as at 31 December 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.

PUBLIC FLOAT

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

SHARE OPTION SCHEME

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

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

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

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 283,518,810 which represents approximately 12.65% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 139,718,898, representing approximately 6.23% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors.

SHARE OPTION SCHEME *(continued)*

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

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

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

SHARE OPTION SCHEME *(continued)*

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

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the year	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			
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
	3,914,000			

SHARE OPTION SCHEME *(continued)*

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company *(continued)*				
Lee Fook Sun	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	1,800,000			
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
	3,514,000			
Leung Kai Cheung	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	1,800,000			
	98,217,810			
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
	83,000,000			
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
	102,301,000			
	283,518,810			

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

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

DISTRIBUTABLE RESERVES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

CONNECTED TRANSACTION

During the year and up to the date of this annual report, the Group had no connected transaction that was subject to the disclosure requirements under the Listing Rules.

As far as the transactions took place during the year as set out in note 50 to the financial statements under the heading of "Related Party Transactions" are concerned, the transactions as set out in notes (a)(i), b(i) and b(ii) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

CONNECTED TRANSACTION *(continued)*

As far as the transactions set out in note 50(c) to the financial statements under the heading of "Related Party Transactions" are concerned, the loan from a related company as set out in notes 10 and 37 were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

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

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 31 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 51 to the financial statements.

AUDITOR

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 22 March 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 193, which comprise the consolidated and company statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Revenue	7	**282,704**	324,404
Cost of sales		**(237,809)**	(281,313)
Gross profit		**44,895**	43,091
Investment income	9(a)	**16,450**	5,417
Other gains and losses	9(b)	**105,499**	35,254
Other expenses		**(14,052)**	(1,806)
Selling and distribution costs		**(11,410)**	(7,699)
Administrative expenses		**(93,045)**	(87,781)
Impairment loss recognised in respect of available-for-sale investment		**(5,200)**	–
Impairment loss on disposal group classified as held-for-sale	13(e)	**(9,763)**	–
Impairment loss recognised in respect of goodwill	20	**(110,588)**	–
Share of loss of associates		**–**	(114)
Finance costs	10	**(84,208)**	(68,074)
Loss before tax		**(161,422)**	(81,712)
Income tax (expense) credit	11	**(3,581)**	2,014
Loss for the year from continuing operations	12	**(165,003)**	(79,698)
Discontinued operations			
Profit for the year from discontinued operations	13	**21,331**	88,529
(Loss) profit for the year		**(143,672)**	8,831
Other comprehensive income			
Exchange differences on translation			
Exchange difference arising during the year		**57,436**	13,053
Share of translation difference of associates		**293**	438
Reclassification adjustment upon disposal of an associate		**(289)**	(32)
Available-for-sale investments			
Reclassification adjustment upon partial disposal of an associate		**–**	(1,024)
Reclassification adjustment upon disposal of an associate		**2,090**	–
Reclassification adjustment upon loss of significant influence of an associate		**(2,154)**	–
Share of revaluation of available-for-sale investments held by associates		**–**	(14,329)
Revaluation of property			
Gain on revaluation upon transfer from property, plant and equipment to investment properties		**2,902**	18,629
Deferred tax upon transfer from property, plant and equipment to investment properties		**(436)**	(2,794)
Other comprehensive income for the year		**59,842**	13,941
Total comprehensive (expense) income for the year		**(83,830)**	22,772

For The Year Ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000 (Restated)
(Loss) profit for the year attributable to:			
(Loss) profit for the year attributable to the owners of the Company			
– Loss for the year from continuing operations		**(169,973)**	(79,028)
– Profit for the year from discontinued operations		**21,331**	88,535
(Loss) profit for the year attributable to the owners of the Company		**(148,642)**	9,507
Profit (loss) for the year attributable to non-controlling interests			
– Profit (loss) for the year from continuing operations		**4,970**	(670)
– Loss for the year from discontinued operations		**–**	(6)
Profit (loss) for the year attributable to non-controlling interests		**4,970**	(676)
		(143,672)	8,831
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(91,669)**	22,332
Non-controlling interests		**7,839**	440
		(83,830)	22,772
(Loss) earnings per share	16		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**(6.79)**	0.44
From continuing operations			
Basic and diluted (HK cents)		**(7.76)**	(3.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	**31.12.2011 HK$'000**	31.12.2010 HK$'000
Non-current assets			
Investment properties	17	**–**	95,660
Property, plant and equipment	18	**16,163**	708,318
Prepaid lease payments	19	**–**	2,452
Goodwill	20	**74,668**	197,512
Intangible assets	21	**8,841**	406,695
Deposits paid for acquisition of equipment	22(a)	**–**	169,275
Deposit paid for acquisition of a property	22(b)	**43,050**	40,600
Investments in associates	24	**6,690**	68,758
Available-for-sale investments	26	**54,217**	8,120
Club debentures	27	**700**	700
Deferred tax assets	42	**9,871**	5,283
		214,200	1,703,373
Current assets			
Prepaid lease payments	19	**–**	84
Inventories	28	**23,894**	17,695
Trade and bills receivables	29(a)	**112,247**	243,850
Prepayments, deposits and other receivables	29(b)	**304,704**	410,057
Held-for-trading investments	30	**2,490**	8,621
Amounts due from customers for contract work	31	**419,773**	383,969
Amount due from an associate	32	**–**	9,976
Tax recoverable		**1,711**	1,725
Pledged bank deposits	34	**333,106**	245,142
Bank balances and cash	35	**118,870**	210,318
		1,316,795	1,531,437
Disposal groups classified as held-for-sale	13(a)&(e)	**1,549,304**	–
		2,866,099	1,531,437
Current liabilities			
Trade and bills payables	36(a)	**198,710**	246,357
Other payables, deposits received and accruals	36(b)	**55,739**	237,888
Provision	36(c)	**–**	7,643
Amounts due to customers for contract work	31	**1,770**	25,598
Convertible loan notes	38	**87,626**	441,203
Embedded derivative components of convertible loan notes	38	**19,444**	28,490
Tax liabilities		**11,685**	26,132
Borrowings – due within one year	37	**609,641**	466,520
		984,615	1,479,831
Liabilities associated with disposal groups classified as held-for-sale	13(a)&(e)	**555,999**	–
		1,540,614	1,479,831
Net current assets		**1,325,485**	51,606
Total assets less current liabilities		**1,539,685**	1,754,979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000
Non-current liabilities			
Borrowings – due after one year	37	**–**	329,440
Convertible loan notes	38	**235,812**	–
Embedded derivative components of convertible loan notes	38	**44,123**	–
Other payable	25(c)	**–**	125,280
Deferred tax liabilities	42	**–**	4,359
		279,935	459,079
Net assets		**1,259,750**	1,295,900
Capital and reserves			
Share capital	39	**560,535**	535,535
Reserves		**616,111**	714,136
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale		**29,036**	–
Equity attributable to owners of the Company		**1,205,682**	1,249,671
Non-controlling interests		**54,068**	46,229
Total equity		**1,259,750**	1,295,900

The consolidated financial statements on pages 48 to 193 were approved and authorised for issue by the Board of Directors on 22 March 2012 and are signed on its behalf by:

Li Shaofeng
DIRECTOR

Chau Chit
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	18	**684**	1,149
Investments in subsidiaries	23	**27,431**	17,885
Advances to subsidiaries	23	**347,151**	347,523
Club debentures	27	**700**	700
		375,966	367,257
Current assets			
Prepayments, deposits and other receivables		**1,074**	2,106
Amounts due from subsidiaries	33	**815,016**	750,788
Bank balances and cash	35	**503**	640
		816,593	753,534
Current liabilities			
Other payables		**15,293**	14,788
Amounts due to subsidiaries	33	**87**	17,704
Convertible loan notes	38	**87,626**	441,203
Embedded derivative components of convertible loan notes	38	**19,444**	28,490
Borrowings – due within one year	37	**71,390**	10,733
		193,840	512,918
Net current assets		**622,753**	240,616
Total assets less current liabilities		**998,719**	607,873
Non-current liabilities			
Convertible loan notes	38	**235,812**	–
Embedded derivative components of convertible loan notes	38	**44,123**	–
Deferred tax liabilities	42	**–**	1,548
		279,935	1,548
Net assets		**718,784**	606,325
Capital and reserves			
Share capital	39	**560,535**	535,535
Reserves	41	**158,249**	70,790
Equity attributable to owners of the Company		**718,784**	606,325

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2011

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 41)	Property revaluation reserve HK$'000	Other reserves HK$'000 (Note a)	Translation reserve HK$'000	Capital reserve HK$'000 (Note b)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale HK$'000	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	535,535	644,864	2,084	6,048	360	42,806	53,690	15,417	31,459	(182,077)	68,767	–	1,218,953	44,428	1,263,381
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	9,507	–	–	9,507	(676)	8,831
Share of translation difference of associates	–	–	–	–	–	438	–	–	–	–	–	–	438	–	438
Share of revaluation of available–for-sale investment held by associates	–	–	–	–	–	–	–	(14,329)	–	–	–	–	(14,329)	–	(14,329)
Exchange difference arising during the year	–	–	–	–	–	11,937	–	–	–	–	–	–	11,937	1,116	13,053
Gain on revaluation upon transfer from property, plant and equipment to investment properties	–	–	–	18,629	–	–	–	–	–	–	–	–	18,629	–	18,629
Deferred tax upon transfer from property, plant and equipment to investment properties	–	–	–	(2,794)	–	–	–	–	–	–	–	–	(2,794)	–	(2,794)
Reclassification adjustment upon disposal of an associate	–	–	–	–	–	(32)	–	(1,024)	–	–	–	–	(1,056)	–	(1,056)
Total comprehensive income (expense) for the year	–	–	–	15,835	–	12,343	–	(15,353)	–	9,507	–	–	22,332	440	22,772
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	–	8,386	–	–	–	8,386	–	8,386
Lapse of share options	–	–	–	–	–	–	–	–	(907)	907	–	–	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	–	1,361	1,361
At 31 December 2010 and 1 January 2011	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2011

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 41)	Property revaluation reserve HK$'000	Other reserves HK$'000 (Note a)	Translation reserve HK$'000	Capital reserve HK$'000 (Note b)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale HK$'000	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
(Loss) profit for the year	-	-	-	-	-	-	-	-	-	(148,642)	-	-	(148,642)	4,970	(143,672)
Share of translation difference of associates	-	-	-	-	-	293	-	-	-	-	-	-	293	-	293
Exchange difference arising during the year	-	-	-	-	-	54,567	-	-	-	-	-	-	54,567	2,869	57,436
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)
Reserves released upon disposal of an associate	-	-	-	-	-	(289)	-	2,090	-				1,801	-	1,801
Reserve released upon deemed disposal of an associate	-	-	-	-	-	-	-	(2,154)	-	-	-	-	(2,154)	-	(2,154)
Total comprehensive income (expense) for the year	-	-	-	2,466	-	54,571	-	(64)	-	(148,642)	-	-	(91,669)	7,839	(83,830)
Share issued on exercise of a convertible bond	25,000	22,680	-	-	-	-	-	-	-	-	-	-	47,680	-	47,680
Release of equity component of a convertible loan note upon redemption	-	-	-	-	-	-	-	-	-	68,767	(68,767)	-	-	-	-
Transfer to amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale	-	-	-	(24,349)	-	(4,687)	-	-	-	-	-	29,036	-	-	-
At 31 December 2011	560,535	667,544	2,084	-	360	105,033	53,690	-	38,938	(251,538)	-	29,036	1,205,682	54,068	1,259,750

Notes:

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

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

These subsidiaries are also required to transfer 5% of the profit after tax at discretion of board of directors to the enterprise development fund. The fund can only be used for development of the enterprise and is not available for distribution to shareholders. No such transfer was made during both years as determined by board of directors.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000 (Restated)
OPERATING ACTIVITIES			
(Loss) profit for the year		**(143,672)**	8,831
Adjustments for:			
Impairment loss in respect of goodwill		**110,588**	–
Depreciation of property, plant and equipment		**90,700**	19,632
Income tax expense		**73,616**	17,616
Interest on convertible loan notes		**59,752**	57,598
Interest on bank borrowings		**49,264**	31,953
Interest on other borrowings		**1,768**	–
Amortisation of intangible assets		**23,049**	10,912
Impairment loss in respect of disposal group classified as held-for-sale		**9,763**	–
Investment loss in respect of available-for-sale investment		**5,200**	–
Impairment loss in respect of trade receivables		**3,357**	3,972
Impairment loss in respect of other receivables		**1,916**	3,775
Decrease in fair value of held-for-trading investments		**1,552**	5,313
Impairment loss in respect of amounts due from customers for contract work		**1,214**	1,086
Impairment loss in respect of intangible assets		**641**	2,290
Release of prepaid lease payments		**84**	84
Gain on fair value change of the derivative components of convertible loan notes		**(63,226)**	(44,339)
Gain on disposal of property, plant and equipment		**(37,284)**	(90)
Interest income		**(16,483)**	(4,573)
Increase in fair value of investment properties		**(3,963)**	(1,377)
Gain on disposal of an associate		**(2,894)**	–
Gain on loss of significant influence of an associate		**(2,154)**	–
Gain on disposal of available-for-sale investments	26	**(241)**	(83)
Gain on disposal of partial interest of associates		**–**	(150)
Gain on disposal of subsidiaries		**–**	(2,454)
Share-based payment expense		**–**	8,386
Share of loss of associates		**–**	114
Operating cash flows before movements in working capital		**162,547**	118,496
(Increase) decrease in inventories		**(5,131)**	47,072
(Increase) decrease in trade and bills receivables		**(43,116)**	41,731
Decrease (increase) in prepayments, deposits and other receivables		**7,288**	(33,066)
Decrease (increase) in held-for-trading investments		**4,572**	(9,103)
(Decrease) increase in trade and bills payables		**(19,032)**	6,921
(Decrease) increase in other payables, deposits received and accruals		**(5,599)**	34,444
Increase in amounts due from customers for contract work		**(30,603)**	(49,009)
Decrease in amounts due to customers for contract work		**(25,373)**	(3,249)
Cash from operations		**45,553**	154,237
Interest paid		**(55,161)**	(42,604)
PRC Income Tax paid		**(4,612)**	(9,183)
Receipt of tax refund		**14**	–
Hong Kong Profits Tax paid		**–**	(231)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(14,206)**	102,219

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (Restated)
INVESTING ACTIVITIES			
Consideration paid for acquisition of intangible asset	25(c)	**(292,320)**	–
Purchase of property, plant and equipment		**(187,510)**	(315,939)
Placement of pledged bank deposits		**(249,610)**	(234,030)
Purchase of intangible assets		**(2,114)**	(4,299)
Purchase of unlisted available-for-sale investments		**(1,805)**	(5,729)
Refund (placement) of deposits paid for acquisition of digital television system equipment		**169,275**	(169,275)
Withdrawal of pledged bank deposits		**168,155**	2,011
Net cash inflow on disposal of subsidiaries	43(c)	**96,648**	124,240
Proceeds from disposal of property, plant and equipment		**46,358**	529
Deposit received from purchasers relating to disposal group held-for-sale		**13,038**	–
Interest received		**9,259**	4,573
Proceeds from disposal of available-for-sale investments (net of transaction costs)		**8,664**	565
Proceeds from disposal of an associate		**666**	–
Proceeds from disposal of a jointly controlled entity (net of transaction costs)		**–**	67,515
Proceeds from disposal of investment properties		**–**	4,687
Proceed on disposal of partial interest of an associate		**–**	2,599
Increase in deposit paid for acquisition of a property		**–**	(40,600)
Advance to an associate		**–**	(9,976)
Net cash outflow on acquisition of a subsidiary	44	**–**	(4,675)
NET CASH USED IN INVESTING ACTIVITIES		**(221,296)**	(577,804)
FINANCING ACTIVITIES			
New bank loans raised		**598,786**	443,900
Proceeds from issue of convertible loan notes		**360,000**	–
Loan advance from a related party		**93,240**	–
Loan advance from a third party		**22,140**	–
Loan advance from a shareholder		**17,000**	–
Repayments of bank loans		**(505,281)**	(190,788)
Repayments of convertible loan notes		**(385,000)**	–
Repayment to a related party		**(38,850)**	–
Capital contribution from a non-controlling shareholder		**–**	1,361
Repayment to an associate		**–**	(643)
NET CASH FROM FINANCING ACTIVITIES		**162,035**	253,830
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(73,467)**	(221,755)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**210,318**	408,475
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(13,589)**	23,598
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**123,262**	210,318
Represent by:			
Bank balances and cash		**118,870**	210,318
Cash and cash equivalents included in disposal groups held-for-sale		**4,392**	–
		123,262	210,318

1. GENERAL

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

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

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

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

On 23 December 2011, the Group entered into a sale agreement to dispose of its digital television ("DTV") technical solution and equipment business (the "DTV business"). The disposal is expected to be completed before 30 June 2012 upon shareholders' approval. Details are set out in note 13(a).

The assets and liabilities attributable to the DTV business have been classified as a disposal group held-for-sale and are presented separately in the consolidated statement of financial position as the management considered that the sale is highly probable and the business is available for immediate sale. As such, profit for the year from the DTV business has been presented as profit for the year from discontinued operations and is presented separately in the consolidated statement of comprehensive income. The comparative figures of the consolidated statement of comprehensive income for the year ended 31 December 2010 have been restated to reflect the discontinuance of the DTV business.

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

In the current year, the Group and the Company have applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has applied HKAS 24 Related Party Disclosures (as revised in 2009) in full in the current year. 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 consolidated financial statements for the current and prior years. However, the related party disclosures set out in note 50 to the consolidated financial statements have been changed to reflect the application of HKAS 24 (as revised in 2009).

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

Except as described above, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
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]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
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]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the application of HKFRS 9 will affect the measurement and classification of the Group's available-for-sale investments, but is not likely to affect the Group's other financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards that are applicable to the Group are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards is not likely to have significant impact on amounts reported in the consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and the application of the new Standard is not likely to affect the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual period beginning 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for the Group for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods will not have material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Business combinations that took place on or after 1 January 2010

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

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

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

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

Upon disposal of an associate that results in the Group 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 on disposal 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

Jointly controlled operations

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

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Immediately before the initial classification as held-for-sale, the non-current assets (and disposal groups) are measured in accordance with the applicable HKFRSs. Subsequent to classification, non-current assets that are within the scope of the measurement requirements of HKFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations* are measured at the lower of their previous carrying amount and fair value less costs to sell. An impairment loss is made for any initial or subsequent write-down of the asset (and disposal groups) to fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

DTV business

Revenue generated from DTV business comprises primarily the followings:

Sales of DTV equipment

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

Provision of services and leasing of DTV equipment

New Arrangement (as defined in note 25)

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

Old Cooperation Agreement (as defined in note 25)

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

Installation contracts

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Property, plant and equipment (other than properties under construction) are depreciated on a straight-line basis at the following rates per annum:

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

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

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

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

Arrangement that contain a lease

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club debenture

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

Borrowing costs

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

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

Government grants

Government grants are not recognised until these is reasonable assurance that the Group will comply with the condition attaching to them and that the grants will be received.

Government grants that are receivable for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets (Continued)

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

Impairment of financial assets

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

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 90 days to 2 years, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and bills payables, other payables, amounts due to subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes contain liability and equity components

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible loan notes contain liability and equity components (Continued)

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

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

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

Convertible loan notes contain liability component and derivative components

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible loan notes contain liability component and derivative components (Continued)

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

Equity instruments

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

Embedded derivatives

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

The Group derecognised financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity settled share-based payment transactions

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

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

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

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

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

Share options granted to consultants

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

At the end of the reporting period, the Group and the Company review the carrying amounts of its investments in subsidiaries, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of trade and bills receivables

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

As at 31 December 2011, the carrying amount of trade and bills receivables are HK$112,247,000 (net of allowance for doubtful debts of HK$59,799,000) (2010: carrying amount of HK$243,850,000, net of allowance for doubtful debts of HK$56,050,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is HK$74,668,000 (net of accumulated impairment loss of HK$110,588,000) (2010: carrying amount of HK$197,512,000 net of accumulative impairment loss of nil). Details of the recoverable amount calculation are disclosed in note 20.

Fair value of derivative financial instrument

As describe in note 38, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instrument not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative component of the convertible loan notes, binomial model is used for valuation of the component which involves several key assumptions and estimates including share price volatility, dividend yield and risk free rate.

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

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

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

The management estimated that the revenue from DTV business on provision of DTV technical services and equipment would remain relatively constant throughout the contract period of 20 years of the new cooperation agreements after the reorganisation of the DTV business model. This estimate is based on a cash flow projection at a constant annual growth rate of 3% covering a 20-year period actual revenue for the year ended 31 December 2010 and a discount rate of 14.07% and the Group's right to receive a pre-determined percentage of New Income (as defined in note 25) from the 1st to the 15th year and at estimated 50% of New Income from the 16th to the 20th year.

On the basis that the future economic benefits expected to generate from the assets are expected to be evenly distributed throughout the contract period, the management determined to depreciate the DTV equipment and amortise the new contract acquisition cost on a straight line basis over their estimated useful lives and contract period, respectively.

At the end of the reporting period, the contract acquisition costs and DTV equipment have been classified as assets held-for-sale, as explained in note 13(a).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings and convertible loan notes disclosed in notes 37 and 38 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2011	2010
	HK$'000	HK$'000
THE GROUP		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**2,490**	8,621
Loans and receivables (including cash and cash equivalents)	**768,562**	963,316
Available-for-sale financial assets	**54,217**	8,120
Financial liabilities		
Embedded derivative components of convertible loan notes	**63,567**	28,490
Amortised cost	**1,165,918**	1,775,840
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,162,853**	1,100,074
Financial liabilities		
Embedded derivative components of convertible loan notes	**63,567**	28,490
Amortised cost	**394,915**	469,640

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies

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

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Currency risk

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk *(Continued)*

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

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
EURO	**–**	–	**–**	3,912
US$	**109,923**	207,305	**462,936**	327,005
HK$	**455**	1,820	**296,935**	375,616
THE COMPANY				
EURO	**–**	–	**–**	3,912
US$	**231**	15	**161,460**	100,898
HK$	**1,159,522**	1,088,502	**296,935**	393,320

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in EURO, US$ and HK$.

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2010: 5%) is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2010: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2010: increase in post-tax profit) where RMB strengthen 5% (2010: 5%) against the relevant currency. For a 5% (2010: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax loss (2010: post-tax profit) and the balances below would be negative.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk *(Continued)*

Sensitivity analysis (Continued)

	Euro		US$		HK$	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
THE GROUP						
Decrease in post-tax loss (2010: increase in post-tax profit) (i)	**–**	163	**14,738**	4,997	**12,378**	15,606
THE COMPANY						
Increase (decrease) in post-tax profit (2010: decrease (increase) in post-tax loss) (ii)	**–**	163	**6,731**	4,212	**(36,013)**	(29,024)

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

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

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

US$ denominated deferred consideration (included in other receivable) arose from disposal of Remarkable Mask Technology Company Limited ("Remarkable") in the second quarter of year 2009 resulting in significant amount of US$ denominated assets at 31 December 2010. The repayment from Remarkable in 2011 resulted in significant decrease in US$ denominated asset at 31 December 2011.

US$ denominated convertible loan notes were issued in the second quarter of year 2009 and US$ denominated borrowings raised in 2011 and 2010 resulting in significant amount of US$ denominated liabilities at 31 December 2011 and 2010.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, fixed-rate loan from a related party, fixed-rate loan from a shareholder, fixed-rate loan from a third party and fixed-rate convertible loan notes. Whereas the Company's fair value interest rate risk relates primarily to fixed-rate convertible loan notes.

The Group's and Company's cash flow interest rate risk relates primarily to the fluctuation of market interest rate on certain variable-rate pledged bank deposits, certain variable-rate bank balances and certain variable-rate bank borrowings.

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

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2010: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank borrowings.

If interest rates on variable-rate bank borrowings had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the impact on profit or loss would be as follows:

Sensitivity analysis

THE GROUP

The Group's post-tax loss for the year ended 31 December 2011 would increase/decrease by approximately HK$1,975,000 (2010: post-tax profit for the year would decrease/increase by approximately HK$3,144,000).

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis (Continued)

THE COMPANY

The Company's post-tax profit for the year ended 31 December 2011 would not be affected as the Company has no variable-rate borrowings at the end of the reporting period (2010: post-tax loss would increase/decrease by approximately HK$45,000).

(iii) Other price risk

(a) Price risk on equity securities

The Group is exposed to equity price risk mainly through its investments in listed equity securities and available-for-sale investments. At 31 December 2010, as the fair value of the available-for-sale investments could not be measured reliably, they were stated at cost less impairment at the end of the reporting period. The Group's equity price risk in held-for-trading investments are mainly concentrated on equity instruments issued by entities operating in natural resources industry sector and manufacturing industry sector issued by entities listed on the Stock Exchange of Hong Kong Limited and the Stock Exchange of Shanghai. The management manages this exposure by maintaining a portfolio of investments with different risks and closely monitoring the share price movements of those securities relating to investments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks on listed equity investments at the end of the reporting period. A sensitivity rate of 10% (2010: 10%) is applied in the analysis.

If the equity prices of the equity instruments had been 10% (2010: 10%) higher/lower, post-tax loss for the year ended 31 December 2011 would decrease/increase by approximately HK$5,407,000 (2010: post-tax profit increase/decrease by HK$719,000) as a result of the changes in fair value of held-for-trading and available-for-sale investments.

The Group's sensitivity to price risk on held-for-trading and available-for-sale investments decreased in 2011 as a significant amount of held-for-trading investments were disposed in 2011.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk *(Continued)*

(b) Price risk on embedded derivatives components of the Convertible Bond (defined under note 38(b) and (c))

For the years ended 31 December 2011 and 2010, the Group and the Company are required to estimate the fair value of the derivative component of the Convertible Bond, including conversion option, early redemption option and compulsory conversion option, with changes in fair value to be recognised in the profit or loss as long as the Convertible Bond is outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

Sensitivity analysis

If the share price of the Company had been 10% (2010: 10%) higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax loss for the year would increase by approximately HK$9,705,000/decrease by approximately HK$16,007,000 (2010: post-tax profit decrease by approximately HK$2,542,000/increase by approximately HK$2,343,000) and the Company's post-tax profit would decrease by approximately HK$9,705,000/increase by approximately HK$16,007,000 (2010: post-tax loss increase by approximately HK$2,542,000/decrease by approximately HK$2,343,000), as a result of changes in fair value of the derivative component of the Convertible Bond.

If the volatility of share price of the Company had been 10% (2010: 10%) higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax loss for the year would increase by approximately HK$11,032,000/decrease by approximately HK$18,108,000 (2010: post-tax profit decrease by approximately HK$1,431,000/increase by approximately HK$1,963,000) and the Company's post-tax profit would decrease by approximately HK$11,032,000/increase by approximately HK$18,108,000 (2010: post-tax loss increase by approximately HK$1,431,000/decrease by approximately HK$1,963,000), as a result of changes in fair value of the derivative component of the Convertible Bond.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2011 and 2010, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to failure to discharge obligations by the counterparties and financial guarantees provided by the Group and the Company is arising from:

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

- the amount of contingent liabilities in relation to the financial guarantee provided by the Group and the Company as disclosed in note 48.

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

The Group's credit risk is also attributable to the deferred cash consideration due from independent third parties as disclosed in notes 29(b). The management will monitor closely the repayment schedule of the deferred cash consideration to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has a concentration of credit risk arising from the deferred cash consideration receivable due from a single counterparty as disclosed in note 29(b).

In addition, the Group has concentration of credit risk in relation to the trade and bills receivables as approximately 61% (2010: 57%) of the total trade and bill receivables as at 31 December 2011 and 2010 was due from the Group's largest customer of the DTV technical solutions and equipment business. As at 31 December 2011, the amount has been classified as held-for-sale as explained in note 13(a). The Group will monitor the level of exposures to ensure that follow up actions and/or corrective are taken promptly to lower the risk exposure or to recover the overdue balances.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

Other than the above, the Group does not have any other significant concentration of credit risks, with exposure spread over a large number of counterparties on trade and bill receivables.

The Company has no concentration of credit risk, with exposure spread over a large number of counterparties for the years ended 31 December 2011 and 2010.

The directors consider that the credit risk exposure arising from financial guarantee granted by the Group and the Company is not material because the borrowers as disclosed in note 48 have strong financial positions and the risk of default payment is low.

Liquidity risk

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

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

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cash flows are estimated by using interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011								
Trade and bills payables	–	187,809	10,901	–	–	–	198,710	198,710
Other payables	–	34,129	–	–	–	–	34,129	34,129
Loan from a related company (note 37)	10.00	57,094	–	–	–	–	57,094	54,390
Loan from a shareholder (note 37)	7.00	17,089	–	–	–	–	17,089	17,000
Loan from a third party (note 37)	5.85	22,462	–	–	–	–	22,462	22,140
Bank borrowings (note 37)								
– fixed rate	8.62	22,425	22,204	–	–	–	44,629	43,050
– variable rate (note 3)	4.14	69,218	411,238	–	–	–	480,456	473,061
Convertible loan notes (note 1)								
– Loan notes denominated in HK$ (note 38(c))	14.49	–	4,725	4,725	281,230	–	290,680	279,935
– Loan notes denominated in US$ (note 38(b))	33.60	–	139,739	–	–	–	139,739	107,070
Financial guarantee contracts (note 2)	–	–	55,350	–	–	–	55,350	–
		410,226	644,157	4,725	281,230	–	1,340,338	1,229,485

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010								
Trade and bills payables	–	245,105	1,252	–	–	–	246,357	246,357
Other payables	–	–	167,040	125,280	–	–	292,320	292,320
Bank borrowings (note 37)								
– fixed rate	5.70	26,783	16,815	–	–	–	43,598	42,920
– variable rate (note 3)	4.91	41,576	411,421	94,234	255,416	23,774	826,421	753,040
Convertible loan notes (note 1)								
– Loan notes denominated in HK$ (note 38(a))	11.64	–	388,386	–	–	–	388,386	375,616
– Loan notes denominated in US$ (note 38(b))	33.60	–	–	–	136,870	–	136,870	94,077
Financial guarantee contracts (note 2)	–	11,600	52,200	–	–	–	63,800	–
		325,064	1,037,114	219,514	392,286	23,774	1,997,752	1,804,330

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

THE COMPANY

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011								
Amounts due to subsidiaries	–	87	–	–	–	–	87	87
Loan from a related company (note 37)	10.00	57,094	–	–	–	–	57,094	54,390
Loan from a shareholder (note 37)	7.00	17,089	–	–	–	–	17,089	17,000
Convertible loan notes (note 1)								
– Loan notes denominated in HK$ (note 38(c))	14.49	–	4,725	4,725	281,230	–	290,680	279,935
– Loan notes denominated in US$ (note 38(b))	33.60	–	139,739	–	–	–	139,739	107,070
Financial guarantee contracts (note 2)	–	44,280	190,650	81,180	186,960	142,680	645,750	–
		118,550	335,114	85,905	468,190	142,680	1,150,439	458,482

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010								
Amounts due to subsidiaries	–	17,704	–	–	–	–	17,704	17,704
Bank borrowings – variable rate (note 3)								
– Trust receipt loan (note 37)	3.80	10,772	–	–	–	–	10,772	10,733
Convertible loan notes (note 1)								
– Loan notes denominated in HK$ (note 38(a))	11.64	–	388,386	–	–	–	388,386	375,616
– Loan notes denominated in US$ (note 38(b))	33.60	–	–	–	136,870	–	136,870	94,077
Financial guarantee contracts (note 2)	–	51,160	145,000	76,560	229,680	81,200	583,600	–
		79,636	533,386	76,560	366,550	81,200	1,137,332	498,130

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

Notes:

1. The undiscounted cash flows of convertible loan notes represent the redemption amount at maturity date translated at the prevailing exchange rate at the end of reporting period on the assumption that there would be no conversion or no early redemption. The carrying amount of convertible loan notes denominated in HK$ represents the liability components carried at amortised cost with an effective interest rate of 14.49% (2010: 11.64%) whereas the carrying amount of convertible bond denominated in US$ represents the liability components carried at amortised cost with an effective interest rate of 33.60% (2010: 33.60%) and the fair value of the derivatives embedded in the convertible loan notes (details are set out in note 38).

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

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

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

6c. Fair value

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

- the fair value of derivative instruments is determined using Binomial model based on assumptions set out in note 38.

- the fair value of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

	31 December 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP				
Financial assets at FVTPL				
Held-for-trading investments	2,490	–	–	2,490
Available-for-sale investments	–	54,217	–	54,217
Total	2,490	54,217	–	56,707
THE GROUP AND THE COMPANY				
Financial liabilities at FVTPL				
Embedded derivative components of convertible loan notes	–	–	63,567	63,567

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

There were no transfers between Level 1 and 2 for the Group and the Company in 2011 and 2010.

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

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

	Derivative component of convertible loan notes HK$'000
THE GROUP AND THE COMPANY	
At 1 January 2010	72,829
Gain arising on changes of fair value	(44,339)
Carrying amount at 31 December 2010 and 1 January 2011	28,490
Issue of convertible loan notes	114,306
Gain arising on changes of fair value (note 9(b))	(63,226)
Conversion of convertible loan notes into shares of the Company	(16,003)
Carrying amount at 31 December 2011	63,567

7. REVENUE

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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Continuing operations		
Revenue from intelligent information business	**273,925**	316,645
Sales of goods	**6,177**	6,504
Property rental income	**2,602**	1,255
	282,704	324,404

8. SEGMENT INFORMATION

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

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

Others – Provision of management services, leasing of investment properties and sales of light emitted diode projects. At 31 December 2011, assets and liabilities relating to leasing of investment properties were classified as disposal group held-for-sale as explained in note 13(e).

In 2011, a reportable and operating segment namely "DTV technical solutions and equipment business" was classified as disposal group held-for-sale and included in discontinued operations as described in note 1. In 2010, two reportable and operating segments of the Group, namely "traditional business" and "high precision metal components business" were discontinued. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in note 13.

8. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results

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

For the year ended 31 December 2011

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
SEGMENT REVENUE			
External sales	273,925	8,779	282,704
Inter-segment sales	–	–	–
Total	273,925	8,779	282,704
Segment profit (loss)	27,914	(47,874)	(19,960)
Unallocated income			1,334
Decrease in fair value of held-for-trading investments			(1,552)
Gain on disposal of available-for-sale investments			241
Impairment loss on an available-for-sale investment			(5,200)
Gain on loss of significant influence of an associate			2,154
Impairment loss recognised in respect of goodwill			(110,588)
Gain on disposal of an associate			2,894
Gain on fair value change of the derivative components of convertible loan notes			63,226
Impairment loss on disposal group classified as held-for-sale			(9,763)
Finance costs			(84,208)
Loss before tax (continuing operations)			(161,422)

8. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2010

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Total HK$'000 (Restated)
SEGMENT REVENUE			
External sales	316,645	7,759	324,404
Inter-segment sales	–	–	–
Total	316,645	7,759	324,404
Segment profit (loss)	18,309	(72,802)	(54,493)
Unallocated income			1,381
Decrease in fair value of held-for-trading investments			(5,313)
Gain on disposal of available-for-sale investments			83
Gain on disposal of subsidiaries			479
Gain on fair value change of the derivative components of convertible loan notes			44,339
Share of loss of associates			(114)
Finance costs			(68,074)
Loss before tax (continuing operations)			(81,712)

8. SEGMENT INFORMATION *(Continued)*

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

The accounting policies of the operating segments are the same as the Group's significant accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of certain income and expense (including income from provision of utility services, net of foreign exchange gain) and those disclosed in the reconciliation above. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

There was no inter-segment sales in 2011 and 2010.

(b) Segment assets and liabilities

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

	31.12.2011 HK$'000	31.12.2010 HK$'000 (Restated)
Segment assets		
Continuing operations		
Intelligent information business	**854,765**	883,118
Others (Note)	**107,426**	96,998
Total segment assets	**962,191**	980,116
Reconciliation of segment total to group total:		
Disposal group classified as held-for-sale and constituted discontinued operations		
DTV technical solutions and equipment business (note 13(a))	**1,480,952**	1,483,812
	2,443,143	2,463,928
Unallocated assets		
Investments in associates	**6,690**	68,758
Bank balances and cash	**118,870**	210,318
Available-for-sale investments	**54,217**	8,120
Pledged bank deposits	**333,106**	245,142
Held-for-trading investments	**2,490**	8,621
Deferred tax assets	**9,871**	5,283
Deferred consideration	**109,501**	222,215
Other unallocated assets	**2,411**	2,425
Consolidated assets	**3,080,299**	3,234,810

Note: At 31 December 2011, it included an amount of HK$68,352,000 relating to lease of investment properties classified as disposal group held-for-sale.

8. SEGMENT INFORMATION *(Continued)*

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

	31.12.2011 HK$'000	31.12.2010 HK$'000 (Restated)
Segment liabilities		
Continuing operations		
Intelligent information business	**225,982**	278,532
Others (Note)	**46,505**	27,302
Total segment liabilities	**272,487**	305,834
Reconciliation of segment total to group total:		
Liabilities associated with disposal group classified as held-for-sale and constituted discontinued operations		
DTV technical solutions and equipment business (note 13(a))	**539,731**	341,291
	812,218	647,125
Unallocated liabilities:		
Borrowings	**609,641**	795,960
Convertible loan notes (including embedded derivative components)	**387,005**	469,693
Tax liabilities	**11,685**	26,132
Consolidated liabilities	**1,820,549**	1,938,910

Note: At 31 December 2011, it included an amount of HK$16,268,000 relating to lease of investment properties classified as disposal group held-for-sale.

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

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

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

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

2011

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure (Note)	7,402	245	7,647
Depreciation of property, plant and equipment	2,914	8,123	11,037
Amortisation of intangible assets	2,256	–	2,256
Increase in fair value of investment properties	–	(470)	(470)
Loss (gain) on disposal of property, plant and equipment	33	(37,561)	(37,528)
Write-down of inventories	–	1,965	1,965
Impairment loss on amounts due from customers for contract work	1,214	–	1,214
Impairment loss in respect of other receivables	–	1,621	1,621
Impairment loss in respect of intangible assets	641	–	641
Impairment loss in respect of trade receivables	882	2,475	3,357
Release of prepaid lease payments	–	84	84

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

2010

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure (Note)	9,959	3,906	13,865
Depreciation of property, plant and equipment	2,749	3,064	5,813
Amortisation of intangible assets	2,456	–	2,456
Increase in fair value of investment properties	–	3	3
Gain on disposal of property, plant and equipment	(90)	–	(90)
Impairment loss on amounts due from customers for contract work	1,086	–	1,086
Impairment loss in respect of other receivables	–	3,775	3,775
Impairment loss in respect of intangible assets	2,290	–	2,290
Impairment loss in respect of trade receivables	3,764	–	3,764
Share-based payment expenses	–	8,386	8,386
Release of prepaid lease payments	–	22	22

Note: Capital expenditure includes additions to property, plant and equipment and intangible assets but excludes those relating to discontinued operations.

(d) Revenue from major products and services

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

8. SEGMENT INFORMATION *(Continued)*

(e) Geographical information

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

Information about the Group's revenue from continuing operations from external customers based on where the goods or services delivered or provided is presented based on PRC and Hong Kong. Information about its non-current assets is presented based on the geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010 HK$'000 (Restated)	**31.12.2011 HK$'000**	31.12.2010 HK$'000
The PRC (country of domicile)	**282,704**	324,304	**149,307**	1,449,557
Hong Kong	**–**	100	**805**	71,138
	282,704	324,404	**150,112**	1,520,695

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

8. SEGMENT INFORMATION *(Continued)*

(f) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	Year ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
Customer A[1]	**61,386**	–
Customer B[1]	**–**	66,566

[1] Revenue from intelligent information business.

9(a). INVESTMENT INCOME

	2011	2010
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Interest on bank deposits	**12,449**	1,150
Interest on deposit paid for acquisition of a property	**4,001**	3,382
Imputed interest income	**–**	885
	16,450	5,417

9(b). OTHER GAINS AND LOSSES

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Gain on fair value change of the derivative components of convertible loan notes	38	**63,226**	44,339
Gain on disposal of property, plant and equipment		**37,528**	90
Net foreign exchange gain		**3,880**	2,202
Gain on disposal of an associate	24	**2,894**	–
Government subsidy (Note)		**2,197**	–
Gain on loss of significant influence of an associate	24	**2,154**	–
Proceeds from sale of scrap		**975**	299
Gain on fair value changes of investment properties		**470**	3
Gain on disposal of available-for-sale investments	26	**241**	83
Impairment loss in respect of intangible assets		**(641)**	(2,290)
Impairment loss in respect of amounts due from customers for contract work		**(1,214)**	(1,086)
Decrease in fair value of held-for-trading investments		**(1,552)**	(5,313)
Impairment loss in respect of other receivable	29(b)	**(1,621)**	(3,775)
Impairment loss in respect of trade receivables		**(3,357)**	(3,764)
Gain on disposal of partial interest in an associate		**–**	150
Income from provision of utility services		**–**	612
Reversal of impairment loss in an associate		**–**	2,542
Gain on disposal of subsidiaries	43(d)	**–**	479
Others		**319**	683
		105,499	35,254

Note: Government subsidy was received from the relevant government bureau of the PRC mainly to encourage a PRC subsidiary to operate as a high technology company in the present location. In order to entitle for the grants, the PRC subsidiary has to be engaged in high technology business and met criteria pursuant to PRC government document. The PRC subsidiary complied with conditions attached with this government subsidy was recognised upon receipt.

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**22,688**	10,330
Convertible loan notes (note 38)	**59,752**	57,598
Loan from a related company	**1,709**	–
Loan from a shareholder	**56**	–
Others	**3**	146
	84,208	68,074

11. INCOME TAX EXPENSE (CREDIT)

	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations		
Current tax:		
Regions in the PRC other than Hong Kong	**9,323**	3,930
Underprovision in prior years:		
Hong Kong	**–**	5
Deferred tax (note 42)		
Current year	**(2,729)**	(5,949)
Attributable to a change in tax rate	**(3,013)**	–
	(5,742)	(5,949)
	3,581	(2,014)

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

No provision for Hong Kong Profits Tax has been made for both years as the Group's income neither arises in, nor is derived from, Hong Kong.

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

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

(a) Pursuant to the relevant laws and regulations in the PRC, a principal subsidiary of the Company is having a 50% reduction in the applicable tax rate from 2010 to 2012.

(b) An operating subsidiary in the PRC was qualified as High and New Technology Enterprises since 2008 and is entitled to a preferential income tax rate of 15% from 2008 to 2010. Tax rate is 25% from 2011.

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

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

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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Loss before tax (from continuing operations)	**(161,422)**	(81,712)
Tax at the domestic income tax rate of 25%	**(40,356)**	(20,428)
Tax effect of expenses not deductible for tax purposes	**41,007**	6,124
Tax effect of income not taxable for tax purposes	**(17,344)**	(8,976)
Tax effect of share of results of associates	**–**	29
Utilisation of tax losses not recognised in previous years	**(308)**	(16)
Tax effect of tax losses not recognised	**20,655**	16,324
Adjustment resulting from changes in expected reversal of temporary differences	**(3,013)**	–
Effect of different tax rates of subsidiaries operating in Hong Kong	**2,905**	5,164
PRC dividend withholding tax	**621**	–
Effect of tax exemptions granted to PRC subsidiary	**(443)**	(356)
Income tax on concessionary rate	**(38)**	(1,289)
Underprovision in prior years	**–**	5
Others	**(105)**	1,405
Tax expense (credit) for the year (relating to continuing operations)	**3,581**	(2,014)

12. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	60,272	38,936
– Share-based payments	–	8,386
– Retirement benefit scheme contributions	5,704	3,164
Total staff costs	65,976	50,486
Depreciation of property, plant and equipment	11,037	5,813
Amortisation of intangible assets (included in cost of sales)	2,256	2,456
Total depreciation and amortisation	13,293	8,269
Auditor's remuneration	2,699	1,669
Cost of inventories recognised as expenses (including write-down of inventories in 2011: HK$1,965,000, 2010: nil)	28,876	40,057
Contract costs recognised as expenses	206,668	239,096
Research and development costs (included in other expenses)	2,607	1,806
Maintenance expenses in relation to disposal of Remarkable Mask Technology Company Limited (included in other expenses and detailed in note 36(c))	11,445	–
Release of prepaid lease payments	84	22

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE

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

	2011	2010
	HK$'000	HK$'000
Profit of DTV technical solutions and equipment business (Note a)	**21,331**	99,921
Loss of traditional business (Note b)	**–**	(13,594)
Profit of high precision metal components business (Note c)	**–**	2,202
Profit for the year from discontinued operations	**21,331**	88,529
Profit for the year from discontinued operations attributable to:		
Owners of the Company	**21,331**	88,535
Non-controlling interests	**–**	(6)
	21,331	88,529

Notes:

(a) On 23 December 2011, the Group entered into a sale agreement to dispose of its entire interest in South China Digital TV Holdings Limited, Yang Jiang Shi Yang Chun Yijiatong Information Technology Company Limited, Guangzhou Yijiatong Integrative Information Development Company Limited, South China Digital Equipment Company Limited, and South China DTV Technology Development Limited ("Disposal Group") to an independent third party at a total proceeds of HK$1,350 million. These are the wholly-owned subsidiaries of the Group, which carried out all of the Group's DTV technical solutions and equipment businesses.

The total proceeds includes an amount of HK$1,299 million to be applied for the settlement of certain indebtedness owed by the Disposal Group as at 31 December 2011. The indebtedness of HK$1,299 million comprise amounts due to group entities of HK$871 million and amounts due to other third parties of HK$428 million. On 29 February 2012, the Group signed a supplemental agreement to revise the total proceeds from HK$1,350 million to HK$1,420 million. The disposal is expected to be completed before 30 June 2012.

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The net proceeds from the disposal of the Disposal Group is expected to exceed the carrying amounts of Disposal Group and accordingly, no impairment loss has been recognised.

The results of the DTV business for years ended 31 December 2011 and 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010 HK$'000
Revenue	**214,394**	256,264
Cost of sales	**(97,688)**	(111,348)
Gross profit	**116,706**	144,916
Other income, gains and losses	**7,475**	4,237
Administrative expenses	**(6,239)**	(8,199)
Finance costs	**(26,576)**	(21,621)
Profit before tax	**91,366**	119,333
Income tax expense	**(70,035)**	(19,412)
Profit for the year	**21,331**	99,921

Income tax expenses of DTV business was calculated at 25% of the estimated assessable profit for the years ended 31 December 2011 and 2010. The increase in tax expense was mainly due to the significant increase in non-deductible expenses amounting to HK$130,504,000 (2010: HK$17,216,000).

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Cash flows for the year from DTV Group were as follows:

	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010 HK$'000
Net cash inflows (outflows) from operating activities	**242,521**	(32,681)
Net cash outflows from investing activities	**(312,514)**	(468,192)
Net cash inflows from financing activities	**16,726**	335,204
Net cash outflows	**(53,267)**	(165,669)

The major classes of assets and liabilities of the DTV business classified as held-for-sale are as follows:

	HK$'000
Investment properties	40,794
Property, plant and equipment	815,670
Goodwill	13,630
Intangible assets	400,291
Trade receivables (i)	173,730
Prepayments and other receivables	24,197
Pledged bank deposits	8,284
Bank balances and cash	4,356
Total disposal group classified as held-for-sale	1,480,952
Trade and bills payables (ii)	33,385
Other payables and accruals	22,435
Tax liabilities	92,427
Bank borrowings (iii)	391,484
Amounts due to group entities	871,287
Total liabilities associated with disposal group classified as held-for-sale	1,411,018
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	6,048

Note: Amounts due to group entities and certain amounts due to third parties will be settled upon receipt of the proceeds.

For presentation in the consolidated statement of financial position as at 31 December 2011 and segment reporting in note 8, the amounts due to group entities amounting to HK$871,287,000 has been excluded from the total liabilities associated with disposal group held-for-sale.

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

(i) Trade receivables

An aged analysis of the trade receivables at 31 December 2011, based on invoice date, and net of allowance for doubtful debts, is as follows:

	HK$'000
0 – 90 days	63,613
91 – 180 days	59,119
181 – 365 days	50,998
	173,730

Included in the trade receivables balance classified as disposal group held-for-sale are debtors with an aggregate carrying amount of approximately HK$50,988,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2011 HK$'000
0 – 90 days	–
91 – 180 days	–
181 – 365 days	50,998
Total	50,998

The trade receivables classified as disposal group held-for-sale are all denominated in functional currencies of respective entities in 2011.

(ii) Trade and bills payables

The following is an aged analysis of the trade and bills payables based on the invoice date at 31 December 2011:

	HK$'000
0 – 90 days	28,912
91 – 180 days	3,929
181 – 365 days	409
1 – 2 years	135
	33,385

At 31 December 2011, bank deposits of HK$8,284,000 were pledged to banks to secure bills payables granted to the Disposal Group as disclosed in note 34.

The trade and bills payables associated with disposal group classified as held-for-sale are all denominated in functional currencies of respective group entities in 2011.

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

(iii) Bank borrowings

	2011
	HK$'000
Bank borrowings	391,484
Secured (Note)	42,164
Unsecured	349,320
	391,484
Carrying amount repayable:	
Within one year	81,180
More than one year, but not exceeding two years	123,344
More than two years, but not exceeding five years	186,960
	391,484

The borrowings carry interest at two to five year benchmark interest rate of The People's Bank of China with 0%-20% mark up.

The effective interest rates (which are also equal to contracted interest rates) on the borrowings ranged from 6.84% to 9.31% per annum.

During the year, the Disposal Group obtained new loans HK$42,164,000 which will be repayable in 2013.

At 31 December 2011, investment properties of HK$40,794,000 and leasehold land and buildings of HK$11,160,000 were pledged to banks to secure bank borrowings granted to the Disposal Group as disclosed in note 34.

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(b) On 30 June 2010, the directors of the Company approved to cease the traditional business operation. Principal activities of traditional business are manufacturing and distribution of telephone accessories, power cords and adapters.

The results of the traditional business operation for the period from 1 January 2010 to 30 June 2010, which have been included in the consolidated statement of comprehensive income for the year ended 31 December 2010, were as follows:

	Period ended 30.6.2010 HK$'000
Revenue	209
Cost of sales	(17,072)
Gross loss	(16,863)
Other income, gains and losses	4,604
Selling and distribution costs	(27)
Administrative expenses	(1,306)
Finance costs	(2)
	(13,594)
Income tax expense	–
Loss for the year	(13,594)

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

	1.1.2010 to 30.6.2010 HK$'000
Net cash outflows from operating activities	(2,893)

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

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

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

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

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

	Period ended 31.7.2010 HK$'000
Revenue	12,129
Cost of sales	(7,568)
Gross profit	4,561
Other income, gains and losses	94
Selling and distribution costs	(244)
Administrative expenses	(3,966)
Finance costs	–
	445
Income tax expense	(218)
Profit for the year	227

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

Cash flow for the period from Hop Cheong:

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

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

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

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(d)

	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010 HK$'000
Profit for the year from discontinued operations include the followings:		
Staff costs, including directors' remuneration		
– Salaries, wage and other benefits	**1,109**	5,373
– Retirement benefit scheme contributions	**117**	292
Total staff costs	**1,226**	5,665
Depreciation of property, plant and equipment	**79,663**	13,819
Amortisation of intangible assets	**20,793**	8,456
	100,456	22,275
Auditor's remuneration	**804**	1,558
Gain on fair value change of investment properties	**(3,493)**	(1,374)
Interest income	**33**	41
Loss on disposal/write-off of property, plant and equipment	**244**	–
Impairment loss in respect of other receivables	**295**	–
Cost of inventories recognised as expenses (including written off of inventories in 2011: nil, 2010: HK$5,075,000)	**–**	118,713
Release of prepaid lease payments	**–**	62
Impairment loss in respect of trade receivables	**–**	208

(e) In December 2011, the Company entered into agreements with independent third parties pursuant to which the Company agreed to sell the entire issued share capital of Santai Electronics Limited ("Santai Electronics") and Aberdeen Investments Limited ("Aberdeen Investments"), wholly-owned subsidiaries of the Group engaging in property investment, for a total cash consideration of RMB53,000,000 (equivalent to HK$65,122,000). Santai Electronics and Aberdeen Investments would be sold to two companies which are wholly-owned subsidiaries of Solartech International Holdings Limited, an independent third party. The completion of disposal of Santai Electronics is conditional upon the disposal of Aberdeen Investments having become unconditional and vice versa. The assets and liabilities attributable to Santai Electronics and Aberdeen Investments, which are expected to be sold within twelve months from the end of the reporting period, have been classified as a disposal group held-for-sale and are presented separately in the consolidated statement of financial position.

13. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD-FOR-SALE *(Continued)*

Notes: *(Continued)*

(e) *(Continued)*

The classification of Santai Electronics and Aberdeen Investments as disposal group held-for-sale have resulted in loss of HK$9,763,000, being the write-down of disposal group to its fair value less costs to sell, which is calculated as follows:

	HK$'000
Consideration	65,122
Less: carrying amount of the net asset for Santai Electronics and Aberdeen Investments	(74,885)
Impairment loss recognised	(9,763)

The major classes of assets and liabilities of Santai Electronics and Aberdeen Investments classified as held-for-sale are as follows:

	Santai Electronics HK$'000	**Aberdeen Investments** HK$'000	**Total** HK$'000
Investment properties	71,094	4,160	75,254
Plant and equipment	4	369	373
Prepaid lease payment	2,307	145	2,452
Bank balances and cash	36	–	36
			78,115
Impairment loss recognised			(9,763)
Disposal group classified as held-for-sale			68,352
Deferred tax liabilities	3,230	–	3,230
Deposit received from purchasers relating to disposal of Santai Electronics and Aberdeen Investments	10,578	2,460	13,038
Total liabilities associated with disposal group classified as held-for-sale			16,268
Amount recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale			22,988

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2010: 13) directors are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (Note 1)	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2011						
Chau Chit	–	2,400	–	–	120	2,520
Mung Kin Keung	2,400	–	–	–	–	2,400
Leung Kai Cheung	240	–	–	–	–	240
Leung Shun Sang, Tony	190	–	–	–	–	190
Chan Wah Tip, Michael (Note 7)	200	–	–	–	–	200
Wong Kun Kim	240	–	–	–	–	240
Lee Fook Sun	150	–	–	–	–	150
Li Shaofeng (Note 3)	–	2,400	–	–	120	2,520
Wong Wai Kwan (Note 4)	240	–	–	–	–	240
	3,660	4,800	–	–	240	8,700

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (Note 1)	Share-based payments HK$'000 (Note 2)	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2010						
Cao Zhong (Note 5)	–	859	–	–	50	909
Chau Chit	–	2,400	2,000	719	120	5,239
Mung Kin Keung	1,898	–	2,000	2,636	–	6,534
Chen Jang Fung (Note 5)	54	–	–	–	–	54
Leung Kai Cheung	240	–	–	–	–	240
Leung Shun Sang, Tony	190	–	–	–	–	190
James Alan Chiddix (Note 5)	54	–	–	–	–	54
Chan Wah Tip, Michael (Note 7)	200	–	–	–	–	200
Kan Lai Kuen, Alice (Note 6)	105	–	–	–	–	105
Wong Kun Kim	240	–	–	–	–	240
Lee Fook Sun	150	–	–	–	–	150
Li Shaofeng (Note 3)	–	1,540	1,800	5,031	77	8,448
Wong Wai Kwan (Note 4)	135	–	–	–	–	135
	3,266	4,799	5,800	8,386	247	22,498

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

(a) Directors' emoluments *(Continued)*

Notes:

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

2. Share-based payments represent fair value of share options fully vested at grant date and expensed immediately to the profit or loss during the year ended 31 December 2010. The share options were issued under the Company's share option scheme as detailed in note 40.

3. This director was appointed on 10 May 2010.

4. This director was appointed on 8 June 2010.

5. These directors resigned on 10 May 2010.

6. This director retired on 8 June 2010.

7. This director resigned on 1 January 2012.

(b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group, three (2010: four) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2010: one) highest individuals of which the sum of salaries are as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,690**	845
Contributions to retirement benefits schemes	**24**	12
	1,714	857

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

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

15. DIVIDEND

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of reporting period (2010: nil).

16. (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:

	2011 **HK$'000**	2010 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	**(148,642)**	9,507

	2011 **'000**	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**2,189,812**	2,142,141

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted (loss) earnings per share from the continuing and discontinued operations because they are antidilutive in calculating the diluted loss per share from continuing operations.

16. (LOSS) EARNINGS PER SHARE *(Continued)*

From continuing operations

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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Loss figures are calculated as follows:		
(Loss) profit for the year attributable to the owners of the Company	**(148,642)**	9,507
Less: Profit for the year from discontinued operations	**21,331**	88,535
Loss for the purposes of basic and diluted loss per share from continuing operations	**(169,973)**	(79,028)

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

The computation of diluted loss per share from the continuing operations for both years has not assumed the exercise of share options and conversion of convertible notes as the effect of which would reduce the loss per share from the continuing operations.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$0.97 cents per share (2010: earning of HK$4.13 cents per share (restated)).

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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Profit for the purposes of basic and diluted earnings per share attributable to owners of the Company	**21,331**	88,535

17. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2010	40,900
Transferred from property, plant and equipment (note 18)	56,100
Disposals	(4,687)
Increase in fair value recognised in profit or loss	1,377
Exchange adjustment	1,970
At 31 December 2010 and 1 January 2011	95,660
Transferred from property, plant and equipment (note 18)	10,307
Transferred to disposal group classified as held-for-sale (note 13(a)&(e))	(116,048)
Increase in fair value recognised in profit or loss	3,963
Exchange adjustment	6,118
At 31 December 2011	–

The fair values of the Group's investment properties including those classified as disposal group held-for-sale at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by Messrs. AA Property Services Limited for properties located in Hong Kong and Guangdong Jinghua Assets & Real Estate Appraisal Co., Ltd. for properties located in PRC, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

17. INVESTMENT PROPERTIES *(Continued)*

At 31 December 2011 and 2010, a subsidiary of the Company has yet to complete the process of obtaining the property certificate in respect of properties of HK$10,307,000 and HK$56,100,000 located in the PRC, respectively. The properties were reclassified to investment properties during the years ended 31 December 2011 and 2010 as the management changed the intention of holding such properties from owner occupation to rental purpose through renting it out to third parties. All investment properties totalling HK$116,048,000 were subsequently transferred to disposal group held-for-sale upon signing of sale agreements in December 2011 as explained in note 13(a) and (e).

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
The carrying value of investment properties shown above comprises:		
Land in the PRC		
Long lease	–	3,470
Medium-term lease	–	92,190
	–	95,660

18. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	DTV equipment HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST								
At 1 January 2010	90,800	7,608	–	190,018	97,460	17,047	48,460	451,393
Additions	2,474	110,834	539,109	407	3,063	9,681	4,241	669,809
Acquisition of a subsidiary (note 44)	–	–	–	–	568	378	–	946
Transferred to investment properties	(43,168)	–	–	–	–	–	(21,231)	(64,399)
Write-off/disposals	–	–	–	(43,700)	(18,201)	(510)	(6,424)	(68,835)
Disposal of subsidiaries (note 13 & 43)	–	–	–	(27,900)	(58,984)	(91)	–	(86,975)
Transfer/reclassification	–	(116,913)	115,008	1,905	–	–	–	–
Exchange adjustment	377	(1,529)	3,443	–	134	453	8	2,886
At 31 December 2010 and 1 January 2011	50,483	–	657,560	120,730	24,040	26,958	25,054	904,825
Additions	–	–	174,226	–	3,560	5,226	4,498	187,510
Transferred to investment properties	(25,832)	–	–	–	–	–	(13,865)	(39,697)
Write-off/disposals	(9,206)	–	–	(115,267)	(3,052)	(4,107)	(6,491)	(138,123)
Reclassified as held-for-sale	(13,151)	–	(875,198)	–	(3,485)	(11,189)	(6,986)	(910,009)
Exchange adjustment	870	–	43,412	–	699	2,180	581	47,742
At 31 December 2011	3,164	–	–	5,463	21,762	19,068	2,791	52,248
DEPRECIATION AND IMPAIRMENT								
At 1 January 2010	39,008	–	–	183,275	90,439	8,055	33,471	354,248
Provided for the year	2,352	–	8,686	1,744	1,926	3,096	1,828	19,632
Eliminated on transfer to investment properties	(16,760)	–	–	–	–	–	(10,168)	(26,928)
Eliminated on write-off/disposals	–	–	–	(43,700)	(18,185)	(87)	(6,424)	(68,396)
Eliminated on disposal of subsidiaries (notes 13 & 43)	–	–	–	(24,915)	(57,415)	(85)	–	(82,415)
Exchange adjustment	31	–	83	–	81	167	4	366
At 31 December 2010 and 1 January 2011	24,631	–	8,769	116,404	16,846	11,146	18,711	196,507
Provided for the year	702	–	76,904	4,326	3,488	3,770	1,510	90,700
Eliminated on transfer to investment properties	(20,202)	–	–	–	–	–	(12,090)	(32,292)
Eliminated on write-off/disposals	(2,754)	–	–	(115,267)	(2,829)	(2,391)	(5,808)	(129,049)
Eliminated on reclassify as held-for-sale	(1,643)	–	(87,801)	–	(643)	(3,084)	(795)	(93,966)
Exchange adjustment	81	–	2,128	–	1,239	389	348	4,185
At 31 December 2011	815	–	–	5,463	18,101	9,830	1,876	36,085
CARRYING VALUES								
At 31 December 2011	2,349	–	–	–	3,661	9,238	915	16,163
At 31 December 2010	25,852	–	648,791	4,326	7,194	15,812	6,343	708,318

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

THE GROUP *(Continued)*

Leasehold land and buildings and leasehold improvements with carrying value of HK$7,405,000 (2010: HK$37,471,000) were transferred to investment properties as they were rented out to independent third parties to earn rental income during the year. The fair value of these leasehold land and buildings at the date of transfer is HK$10,307,000 (2010: HK$56,100,000), resulting in recognition of surplus on revaluation of HK$2,902,000 (2010: HK$18,629,000) in other comprehensive income and accumulated in property revaluation reserve.

As at 31 December 2011 and 2010, all of the Group's DTV equipment are provided to local DTV project companies for serving its cable television subscribers under the arrangement as described in note 25. All of the Group's DTV equipment have been classified as held-for-sale as explained in note 13(a).

Leasehold land and buildings, machinery, moulds and tools, equipment, furniture and fixtures, motor vehicles and leasehold improvements with carrying value of HK$9,074,000 were written off or disposed of during the year as they were either fully depreciated or unable to generate any future economic benefits to the Group.

THE COMPANY

	Leasehold land and buildings HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST						
At 1 January 2010	23,380	43,700	19,405	29	18,328	104,842
Additions	–	–	35	–	1,400	1,435
Write-off	–	(43,700)	(18,185)	(29)	(6,424)	(68,338)
Transfer to a subsidiary	(23,380)	–	–	–	(11,905)	(35,285)
At 31 December 2010 and 1 January 2011	–	–	1,255	–	1,399	2,654
Additions	–	–	–	–	57	57
At 31 December 2011	–	–	1,255	–	1,456	2,711
DEPRECIATION						
At 1 January 2010	18,442	43,700	19,253	29	15,305	96,729
Provided for the year	462	–	48	–	627	1,137
Eliminated on write-off	–	(43,700)	(18,185)	(29)	(6,424)	(68,338)
Eliminated on transfer to a subsidiary	(18,904)	–	–	–	(9,119)	(28,023)
At 31 December 2010 and 1 January 2011	–	–	1,116	–	389	1,505
Provided for the year	–	–	51	–	471	522
At 31 December 2011	–	–	1,167	–	860	2,027
CARRYING VALUES						
At 31 December 2011	–	–	88	–	596	684
At 31 December 2010	–	–	139	–	1,010	1,149

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
The carrying value of leasehold land and buildings comprises:				
Land in Hong Kong:				
Long leases	**–**	6,605	**–**	–
Land in the PRC:				
Long leases	**272**	314	**–**	–
Medium-term leases	**2,077**	18,933	**–**	–
	2,349	25,852	**–**	–

19. PREPAID LEASE PAYMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
The prepaid lease payments comprise:		
Leasehold land in the PRC:		
Long lease	**–**	167
Medium-term lease	**–**	2,369
	–	2,536
Analysed for reporting purposes as:		
Current asset	**–**	84
Non-current asset	**–**	2,452
	–	2,536

As at 31 December 2011, the carrying value of prepaid lease payments of HK$2,452,000 has been classified as held-for-sale as explained in note 13(e).

20. GOODWILL AND IMPAIRMENT TESTING

	HK$'000
COST AND CARRYING AMOUNT	
At 1 January 2010	**193,110**
Arising on acquisition of a subsidiary	**4,402**
At 31 December 2010 and 1 January 2011	**197,512**
Transfer to disposal group classified as held-for-sale	**(13,630)**
Impairment loss recognised in the year	**(110,588)**
Exchange realignment	**1,374**
At 31 December 2011	**74,668**

For the purposes of impairment testing, goodwill set out above has been allocated to three individual cash generating units ("CGUs"), attributable to 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 31 December 2011 and 2010 allocated to these units are as follows:

	2011 HK$'000	2010 HK$'000
Intelligent information operating segment		
– Sino Stride Technology Holdings Limited ("SST") (Note a)	**70,000**	180,588
DTV technical solutions and equipment operating segment		
– Guangzhou Yijiatong Interactive Information Development Company Limited ("Yijiatong") (Note c)	**–**	12,522
Others		
– Zhejiang Concord Optic-Electronic Technology Company Limited ("Concord Optic") (Note b)	**4,668**	4,402
	74,668	197,512

20. GOODWILL AND IMPAIRMENT TESTING *(Continued)*

Notes:

(a) Management has appointed an independent valuer to perform a business valuation on SST at the end of both reporting periods. Management of the Group has determined an impairment loss of HK$110,588,000 recognised in respect of the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the CGU to which the goodwill has been allocated) based on the valuation report is below the aggregate carrying amounts of SST. The recoverable amount of SST has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the management of the Group covering a 5-year period, and a discount rate of 13.51% (2010: 14.59%). Cash flows beyond the 5-year period are extrapolated using 3% (2010: 3%) steady growth rate. 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.

In view of the shrinking economy resulted from the national macroeconomic policies, stricter surveillance on development projects and tightened property curbs imposed by the PRC government, the progress of the development and provision of system integration solutions projects start to slow down at the end of 2011. As a result, it is expected to have an adverse effect on cash flows in future years and thus an impairment loss of HK$110,588,000 (2010: nil), representing the excess of the carrying amount over the recoverable amount of SST, was made for the year ended 31 December 2011.

(b) During the year ended 31 December 2011 and 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 13.51% (2010: 13.46%). Cash flows beyond the 5-year period are extrapolated using 3% (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) Immediately before the classification of DTV business as held-for-sale (Note 13(a)), 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) is in excess of the aggregate carrying amount of Yijiatong. The recoverable amount of CGU of Yijiatong has been determined based on selling price of DTV business as disclosed in note 13(a) and has been classified as held-for-sale as at 31 December 2011.

21. INTANGIBLE ASSETS

	Development costs for energy saving systems HK$'000	Development costs for intelligent information systems HK$'000	Project contracts HK$'000	Contract acquisition costs HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2010	1,129	10,228	1,473	122,040	134,870
Additions	2,781	1,518	–	295,560	299,859
Exchange adjustments	64	263	–	(359)	(32)
At 31 December 2010 and 1 January 2011	3,974	12,009	1,473	417,241	434,697
Additions	–	2,114	–	–	2,114
Reclassified as held-for-sale (note 13(a))	–	–	–	(442,800)	(442,800)
Exchange adjustments	240	753	–	25,559	26,552
At 31 December 2011	4,214	14,876	1,473	–	20,563
AMORTISATION AND IMPAIRMENT					
At 1 January 2010	–	2,373	1,107	11,189	14,669
Charge for the year	976	1,186	294	8,456	10,912
Impairment loss recognised in the year	–	2,290	–	–	2,290
Exchange adjustments	12	78	–	41	131
At 31 December 2010 and 1 January 2011	988	5,927	1,401	19,686	28,002
Charge for the year	432	1,752	72	20,793	23,049
Impairment loss recognised in the year	641	–	–	–	641
Eliminated on reclassify as held-for-sale (note 13(a))	–	–	–	(42,509)	(42,509)
Exchange adjustments	84	425	–	2,030	2,539
At 31 December 2011	2,145	8,104	1,473	–	11,722
CARRYING VALUES					
At 31 December 2011	2,069	6,772	–	–	8,841
At 31 December 2010	2,986	6,082	72	397,555	406,695

21. INTANGIBLE ASSETS *(Continued)*

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

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

Development costs for energy saving systems represent software design and development fee incurred in respect of a system "中程全天候智能分佈式冷卻系統" for the energy saving business. During the year ended 31 December 2011, the Group recognised an impairment loss of HK$641,000 (2010: nil) on the energy saving systems as it is expected that no future economic benefit can be generated by that system.

Development costs for intelligent information systems represent costs incurred for the design and development of intelligent information systems. During the year ended 31 December 2010, the Group recognised an impairment loss of HK$2,290,000 (2011: nil) on one of the intelligent information systems as it is expected that no future economic benefit can be generated by that system.

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

Contract acquisition costs represented the payment to DTV operator in Guangdong Province for acquiring the rights to provide technical services and equipment as described in note 25. The contract acquisition costs are amortised over the terms of the contract of 20 years on a straight-line basis. During the year ended 31 December 2010, the Group had novated the existing contract acquisition costs of HK$122,040,000 in exchange for the new contract acquisition costs of HK$417,600,000 at an additional cost of HK$295,560,000.

The contract acquisition costs has been reclassified as held-for-sale as the Company entered into a sale agreement to dispose of its entire interest in DTV business on 23 December 2011 as explained in note 13(a).

22. DEPOSITS PAID

(a) In prior year, the amounts represented deposits paid to DTV operator in Guangdong Province for acquisition of the DTV equipment and other operating assets. Such deposits were refunded by the DTV operator during the year ended 31 December 2011.

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

23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**990**	990
Deemed capital contributions	**27,421**	17,875
Less: Impairment loss recognised	**(980)**	(980)
	27,431	17,885
Advances to subsidiaries	**347,151**	347,523

Deemed capital contributions approximately HK$9,546,000 (2010: HK$9,175,000) made during the year ended 31 December 2011 represent fair value adjustment on non-current interest-free advances to subsidiaries at initial recognition or upon revised estimates of the timing of repayment of advances by these subsidiaries.

The advances to subsidiaries are unsecured, non-interest bearing and denominated in HK$. In the opinion of the Directors, the Company will not demand repayment within one year from the end of reporting period and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the effective interest method at range of 2.64% to 2.75% per annum for the year ended 31 December 2011 (2010: 2.5% to 2.64% per annum) based on estimated timing of repayment.

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

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2011 %	2010 %	Principal activities
Aberdeen Industrial Company Limited	Samoa	The PRC	1 ordinary share of US$1	**100***	100*	Investment holding
Aberdeen Investments Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100***	100*	Property investment
Chongqing SinoStride Technology Co., Ltd. @ 重慶中程科技有限公司	The PRC	The PRC	Registered capital RMB200,000,000	**100***	100*	Provision of DTV technical solutions and equipment
Dongguan Santai Electrical Appliances Co., Ltd ^ 東莞三泰電器有限公司	The PRC	The PRC	Registered capital HK$64,000,000	**100***	100*	Property investment
Ever Create Profits Limited	The British Virgin Islands ("B.V.I.")	Hong Kong	1 ordinary share of US$1	**100***	100*	Trading of DTV equipment and accessories
Hitech Electro-Optical Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100***	100*	Inactive
Made Connection Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Printronics Electronics Limited	Hong Kong	Hong Kong	5 ordinary shares of HK$1 each	**60***	60*	Investment holding
Printronics Group Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$10 each	**100**	100	Investment holding

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

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2011 %	2010 %	Principal activities
Santai Corporate Services Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Provision of management services
Santai Manufacturing Limited	Hong Kong	The PRC	10,000 ordinary shares of HK$1 each	**100**	100	Investment holding
SCS Investment Company Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100***	100*	Investment holding
SCT Electronics Limited	Hong Kong	The PRC	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Sino Stride Technology (Holdings) Limited	B.V.I.	Hong Kong	1,078,959,000 ordinary shares of HK$0.01 each	**100***	100*	Investment holding
Sinostride Technology Co., Ltd @ 中程科技有限公司	The PRC	The PRC	Registered capital RMB83,000,000	**78.5***	78.5*	System value-added service solution and development
South China Digital TV Holdings Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
廣州市易家通互動信息發展有限公司 #	The PRC	The PRC	Registered capital RMB15,050,000	**100***	100*	Provision of DTV technical solutions and equipment

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

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2011	2010	
				%	%	
深圳市泰格信息科技開發有限公司 #	The PRC	The PRC	Registered capital RMB20,000,000	**100***	100*	Investment holding and sale of DTV equipment
Concord Optic @ 浙江協和光電科技有限公司	The PRC	The PRC	Registered capital RMB10,000,000	**80**	80	System design, and sales of system hardware and light emitted diode products

* Indirectly held through subsidiaries
@ Registered under the laws of the PRC as a Sino-foreign co-operative joint venture
^ Registered under the laws of the PRC as a wholly-foreign owned enterprise
# Registered under the laws of the PRC in the form of domestic incorporated entity

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

None of the subsidiaries had issued any debt securities for the years ended 31 December 2011 and 2010.

24. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Unlisted investments in associates, at cost less impairment	**6,690**	69,003
Share of post-acquisition profits and other comprehensive income, net of dividends received	**–**	(245)
	6,690	68,758

24. INVESTMENTS IN ASSOCIATES *(Continued)*

At 31 December 2011 and 2010, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2011	2010	Principal activities
Shanghai Tai Hung Investment Management Co. Ltd 上海泰泓投資有限公司 ("Shanghai Tai Hung")	Corporate	The PRC	– (Note 1)	24% (Note 1)	Investment in securities
Success East Investment Limited ("Success East")	Corporate	Hong Kong	– (Note 2)	19% (Note 2)	Investment holding
Shenzhen Fasten Sino Stride Technology Limited 深圳市法爾勝中程科技有限公司	Corporate	The PRC	**31.4%**	31.4%	Sales of hardware and equipment related to system integration and system design
Wuxi Remarkable Mask Limited 無錫中微掩模電子有限公司 ("WRML")	Corporate	The PRC	**19%** (Note 3)	19% (Note 3)	Inactive

24. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

(1) As at 31 December 2010, the Group held a 24% equity interest in Shanghai Tai Hung which is principally engaged in investment in listed securities and was 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
Sale proceeds	11,890
Less: carrying amount of the 24% investment on the date of loss of significant influence	(7,195)
Less: reclassification of exchange reserve and investment revaluation reserve upon disposal	(1,801)
Gain recognised in profit or loss	2,894

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

As at 31 December 2010, the Group was able to exercise significant influence over Success East because it has appointed one out of four directors of Success East. Pursuant to the supplemental agreement signed by the shareholders in 2011, the Group considers its significant influence over Success East is lost as it is no longer able to appoint a director to Success East. As a result, it is classified as available-for-sale investment of the Group during the year.

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. In addition, a gain on loss of significant influence of an associate of HK$2,154,000 relating to reclassification of investment revaluation reserve previously shared by the Group was released to profit or loss.

(3) The Group is able to exercise significant influence over WRML because it has the power to join the board of directors of WRML and exercise its voting rights under the clause stated in the deed of trust of WRML. Hence, WRML is accounted for as an associate of the Group.

24. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	2011	2010
	HK$'000	HK$'000
Total assets	**589,196**	1,084,545
Total liabilities	**(566,933)**	(730,552)
Net assets	**22,263**	353,993
Group's share of net assets of associates	**6,690**	68,758
Revenue	**–**	8,341
Profit for the year	**–**	5,080
Other comprehensive expense	**–**	(68,148)
Group's share of total comprehensive income (expense) of associates for the year	**293**	(14,005)

25. JOINTLY CONTROLLED OPERATIONS

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

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

25. JOINTLY CONTROLLED OPERATIONS *(Continued)*

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

Pursuant to the Reorganisation, the Group has:

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

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

(c) entered into a supplementary agreement pursuant to which Yinshi Consultant agrees to novate certain rights and obligations (see below) under a cooperation agreement between Yinshi Consultant, Southern Yinshi and the local DTV project companies for a consideration of RMB360,000,000 (equivalent to approximately HK$417,600,000). The consideration was arrived at after arm's length negotiations between the parties. The consideration will be satisfied in cash in four instalments of 30%, 20%, 20% and 30% each within 5 business days, 6 months, 12 months and 18 months respectively, from completion date. Accordingly, HK$167,040,000 and HK$125,280,000 (equivalent to RMB 252,000,000 in aggregate) were included in other payables under current liabilities and non-current liabilities as at 31 December 2010, respectively. The amount were fully repaid in 2011; and

(d) agreed to acquire DTV equipment with a cap amount of RMB800,000,000 (equivalent to approximately HK$984,000,000) from Southern Yinshi. As at 31 December 2011, the Group has acquired DTV equipment of RMB711,543,000 (equivalent to approximately HK$875,198,000) and included in the Group's disposal group classified as held-for-sale. The amount of DTV equipment yet to acquire of RMB88,457,000 (equivalent to approximately HK$108,802,000) has been included in capital commitment in note 47.

25. JOINTLY CONTROLLED OPERATIONS *(Continued)*

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

At 31 December 2011 and 2010, all of the Group's DTV equipment have been provided to local DTV project companies for serving its cable television subscribers. The arrangement conveys the right to use the DTV equipment to the local DTV project companies. On this basis, the management of the Group considered that the New Arrangement contains leasing of equipment to local DTV project companies.

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

As at 31 December 2010, the aggregate amount of assets, liabilities, revenue and profit recognised in the Group's consolidated financial statements under the Old Cooperation Agreement are as follows:

	2010 HK$'000
Assets	–
Liabilities	–
Revenue	106,068
Profit after tax	82,973

All of the Group's assets and liabilities of DTV business have been classified as held-for-sale at 31 December 2011 as explained in note 13(a).

26. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2011 HK$'000	2010 HK$'000
Unlisted equity investments	**54,217**	8,120

Notes:

(1) In the current year, the Group disposed of certain unlisted equity securities with carrying amount of HK$8,423,000 at a cash consideration of HK$8,664,000. A gain on disposal of HK$241,000 has been recognised in profit or loss for the current year.

(2) As explained in note 24(2), the Group lost its significant influence over Success East during the year and Success East became an available-for-sale investment of the Group. The available-for-sale investment in Success East is measured at fair value. As at 31 December 2011, an impairment loss of HK$5,200,000 has been recognised and included in profit or loss.

27. CLUB DEBENTURES

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cost	**960**	960	**960**	960
Impairment loss recognised	**(260)**	(260)	**(260)**	(260)
	700	700	**700**	700

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

28. INVENTORIES

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Raw materials	**16,765**	11,034
Work in progress	**6,322**	3,369
Finished goods	**807**	3,292
	23,894	17,695

29. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Trade and bills receivables

	2011	2010
	HK$'000	HK$'000
Trade and bills receivables	**172,046**	299,900
Less: Allowance for doubtful debts	**(59,799)**	(56,050)
	112,247	243,850

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable in the range of 90 days to 2 years of issuance. Each customer has a designated credit limit.

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

	2011	2010
	HK$'000	HK$'000
0 – 90 days	**48,889**	202,813
91 – 180 days	**13,594**	27,707
181 – 365 days	**8,168**	10,659
1 – 2 years	**38,026**	2,671
Over 2 years	**3,570**	–
	112,247	243,850

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

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

(a) Trade and bills receivables *(Continued)*

Included in the Group's trade and bills receivables balance are debtors with an aggregate carrying amount of approximately HK$62,372,000 (2010: HK$27,158,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 272 days (2010: 230 days).

Aging of trade and bills receivables which are past due but not impaired

	2011 **HK$'000**	2010 HK$'000
0 – 90 days	**–**	–
91 – 180 days	**12,608**	13,828
181 – 365 days	**8,168**	10,659
1 – 2 years	**3,961**	2,671
Over 2 years	**3,570**	–
Total	**28,307**	27,158

Movement in the allowance for doubtful debts

	2011 **HK$'000**	2010 HK$'000
At 1 January 2011	**56,050**	53,573
Impairment losses recognised on receivables	**3,357**	3,972
Disposal of subsidiaries	**–**	(1,632)
Exchange differences	**392**	137
At 31 December 2011	**59,799**	56,050

Included in the allowance for doubtful debts are individually impaired trade and bills receivables with an aggregate balance of approximately HK$59,799,000 (2010: HK$56,050,000) of which the Group has chased for settlements from customers but the amounts remained unsettled. In the opinion of directors, the amounts are considered uncollectible. The Group does not hold any collateral over these balances.

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

(a) Trade and bills receivables *(Continued)*

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

	2011	2010
	HK$'000	HK$'000
US$	–	4,684

(b) Prepayments, deposits and other receivables

At 31 December 2011, the balance included deferred cash consideration of HK$109,501,000 (2010: HK$202,499,000) (Note) arising from disposal of Remarkable Mask Technology Company Limited ("Remarkable").

At 31 December 2010, the balance included deferred cash consideration of HK$19,716,000 in aggregate, comprising those arising from disposal of: (i) Yinshi Consultant of HK$4,118,000 (note 43(a)); (ii) Printronics China Limited ("Printronics China") and Far East PCB Limited ("Far East") of HK$1,491,000 (note 43(b)); and (iii) available-for-sale investments of HK$14,107,000 (note 25(a)). Items (i) and (ii) were settled in 2011.

The remaining balance of HK$195,203,000 (2010: HK$187,842,000) mainly represented advances to suppliers in relation to intelligent information business as well as prepaid expenses.

In the opinion of the directors, the balances are expected to be realised in the next twelve months from the end of the reporting period.

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

The 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 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.

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

(b) Prepayments, deposits and other receivables *(Continued)*

Note: *(Continued)*

Pursuant to an undertaking dated 24 August 2010 signed by the purchaser, the repayment schedule was revised and the carrying amount of the deferred consideration was adjusted downward resulting in an impairment loss of approximately HK$3,775,000 being charged to profit or loss during the year ended 31 December 2010.

The third instalment receivable of US$8,400,000 (equivalent to approximately HK$65,872,000) 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. 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 being charged to profit or loss in the current year and reported in other income, gains and losses account. 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 (the "Fourth Instalment"), 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.

The Fourth Instalment was partially settled by the purchaser in December 2011 at an amount of US$3,239,000 (equivalent to approximately HK$25,167,000).

The deferred cash consideration is measured at amortised cost using the effective interest method and included in other receivables, analysed as follows:

	2011		2010	
	US$'000	**HK$'000**	US$'000	HK$'000
Current asset	**14,093**	**109,501**	25,995	202,499

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

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.

30. HELD-FOR-TRADING INVESTMENTS

	2011 HK$'000	2010 HK$'000
THE GROUP		
Listed securities:		
– Equity securities listed in Hong Kong	**2,400**	8,490
– Equity securities listed in the PRC	**90**	131
	2,490	8,621

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

	2011 HK$'000	2010 HK$'000
THE GROUP		
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**2,163,417**	1,861,293
Less: Progress billings	**(1,745,414)**	(1,502,922)
	418,003	358,371
Analysed for reporting purposes of:		
Amounts due from contract customers	**419,773**	383,969
Amounts due to contract customers	**(1,770)**	(25,598)
	418,003	358,371

At 31 December 2011, retentions held by customers for contract works of approximately HK$85,132,000 (2010: HK$79,450,000) were included in amounts due from customers for contract work. Advances received from customers before contract work is performed amounting to approximately HK$20,473,000 (2010: HK$8,750,000) were included in other payables, deposits received and accruals.

32. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate at 31 December 2010 was unsecured, non-interest bearing and fully settled in 2011. Details are set out in note 45(c).

33. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

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

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

34. PLEDGE OF ASSETS

THE GROUP

At 31 December 2011, assets pledged to banks to secure banking facilities and borrowings granted to the Group were as follows:

	2011 HK$'000	2010 HK$'000
Investment properties	**40,794**	–
Leasehold land and buildings	**11,160**	–
Bank deposits	**341,390**	245,142
Bills receivables	**2,460**	–
	395,804	245,142

Among the pledged assets, investment properties of HK$40,794,000, buildings of HK$11,160,000 and pledged bank deposits of HK$8,284,000 as at 31 December 2011 were included in disposal group classified as held-for-sale (note 13(a)).

The above assets were pledged for securing the following liabilities:

	2011 HK$'000	2010 HK$'000
Borrowings – due within one year	**321,850**	234,030
Borrowings – due after one year (included in disposal group classified as held-for-sale)	**51,954**	–
Bills payables	**22,000**	11,112
	395,804	245,142

The pledged bank deposits carry interest at market rates ranging from 2.25% to 3.50% (2010: 2.25% to 2.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings in year 2011 and are therefore classified as current assets.

THE COMPANY

The Company has no pledge of assets for the years ended 31 December 2011 and 2010.

35. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances carry interest at prevailing bank saving deposits rates ranging from 0.001% to 1.13% (2010: 0.01% to 1.17%) per annum.

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

	2011	2010
	HK$'000	HK$'000
THE GROUP		
HK$	**272**	697
US$	**422**	107
THE COMPANY		
HK$	**272**	625
US$	**231**	15

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

(a) Trade and bills payables

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

	2011	2010
	HK$'000	HK$'000
0 – 90 days	**90,069**	215,278
91 – 180 days	**15,288**	22,559
181 – 365 days	**14,238**	4,471
1 – 2 years	**77,188**	–
Over 2 years	**1,927**	4,049
	198,710	246,357

36. TRADE AND BILLS PAYABLES AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS *(Continued)*

(a) Trade and bills payables *(Continued)*

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

The Group's trade and bills payables are all denominated in functional currencies of respective group entities in both years.

(b) Other payables, deposits received and accruals

At 31 December 2011, the balance mainly represented advances from customers and value added tax payable in relation to intelligent information business as well as accrued staff costs.

At 31 December 2010, the amounts included outstanding balance on consideration payable of new contract acquisition costs of HK$167,040,000 due for settlement in 2011 as disclosed in note 25(c). The remaining balance of HK$70,848,000 mainly represented advances from customers and value added tax payable in relation to intelligent information business as well as accrued staff costs.

(c) Provision

Pursuant to the sale and purchase agreement on disposal of Remarkable, the Group was obliged to maintain the property, plant and equipment in good conditions. In order to meet this obligation, management considered that the Group incurred expenditure (primarily staff costs and repair and maintenance expenses) for maintaining the disposed property, plant and equipment in good conditions. Provision of HK$50,000,000 represented management's best estimate of the expenditure required to settle the obligation. Up to 31 December 2010, the Group incurred staff costs and repair and maintenance expenses of approximately HK$7,353,000 and HK$35,004,000 respectively, resulting in the balance of provision of approximately HK$7,643,000 at 31 December 2010.

During the year ended 31 December 2011, the Group incurred total expenses of HK$19,088,000 of which provision of HK$7,643,000 was reversed and HK$11,445,000 was charged to consolidated statement of comprehensive income as other expenses.

37. BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**516,111**	785,227	**–**	–
Trust receipt loans	**–**	10,733	**–**	10,733
Bank borrowings	**516,111**	795,960	**–**	10,733
Loan from a related party (note 50(a)(i))	**54,390**	–	**54,390**	–
Loan from a shareholder	**17,000**	–	**17,000**	–
Loan from a third party	**22,140**	–	**–**	–
	609,641	795,960	**71,390**	10,733
Secured	**303,936**	236,840	**–**	10,733
Unsecured	**305,705**	559,120	**71,390**	–
	609,641	795,960	**71,390**	10,733
Carrying amount repayable:				
Within one year	**609,641**	466,520	**71,390**	10,733
More than one year, but not exceeding two years	**–**	76,560	**–**	–
More than two years, but not exceeding five years	**–**	229,680	**–**	–
More than five years	**–**	23,200	**–**	–
	609,641	795,960	**71,390**	10,733
Less: Amounts due within one year shown under current liabilities	**(609,641)**	(466,520)	**(71,390)**	(10,733)
	–	329,440	**–**	–

37. BORROWINGS *(Continued)*

THE GROUP

The borrowings include:

	2011 HK$'000	2010 HK$'000
Fixed rate borrowings:		
Bank borrowings	43,050	42,920
Loan from a related party	54,390	–
Loan from a shareholder	17,000	–
Loan from a third party	22,140	–
	136,580	42,920
Variable rate borrowings carry interest at:		
One-year (2010: five year) benchmark interest rate of The People's Bank of China with 10% – 15% markup	171,585	516,200
London Interbank Offered Rate plus 2.2% – 2.3% per annum	301,476	226,107
USD Prime Rate plus 0.5% per annum	–	6,821
Prevailing interest rate per annum for Euro bills	–	3,912
	473,061	753,040
	609,641	795,960

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

	2011	2010
Fixed-rate borrowings	5.85% – 10.00%	3.75% – 6.39%
Variable-rate borrowings	2.39% – 7.94%	2.46% – 5.94%

37. BORROWINGS *(Continued)*

THE COMPANY

The borrowings include:

	2011	2010
	HK$'000	HK$'000
Fixed rate borrowings:		
Loan from a related party	**54,390**	–
Loan from a shareholder	**17,000**	–
	71,390	–
Variable rate borrowings carry interest at:		
USD Prime Rate plus 0.5% per annum	**–**	6,821
Prevailing interest rate per annum for Euro bills	**–**	3,912
	–	10,733
	71,390	10,733

The effective interest rates (which are also equal to contracted interest rates) on the Company's borrowings were 7.00% and 10.00% per annum relating to loans from a shareholder and a related company respectively (2010: ranged from 3.75% to 3.95% relating to trust receipt loans).

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

	2011	2010
	HK$'000	HK$'000
THE GROUP		
US$	**355,866**	232,928
HK$	**17,000**	–
EURO	**–**	3,912

37. BORROWINGS *(Continued)*

THE COMPANY *(Continued)*

	2011 HK$'000	2010 HK$'000
THE COMPANY		
US$	**54,390**	6,821
HK$	**17,000**	–
EURO	**–**	3,912

During the year, the Group obtained new loans of HK$689,002,000 (2010: HK$443,900,000). The loans bear interest at both fixed and market rates, which will be repayable in 2012 to 2016 (2010: 2011). The new loans were borrowed by the group companies and several of them were under financial guarantee provided by the Company to the banks (note 48).

38. CONVERTIBLE LOAN NOTES

THE GROUP AND THE COMPANY

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 years ended 31 December 2011 and 2010 are set out as follows:

	Liability component HK$'000	**Derivative components** HK$'000
At 1 January 2010	395,025	72,829
Interest charge	57,598	–
Interest paid	(11,550)	–
Exchange realignment	130	–
Gain arising on changes of fair value	–	(44,339)
At 31 December 2010 and 1 January 2011	441,203	28,490
Interest charge	59,752	–
Interest paid	(6,494)	–
Exchange realignment	(40)	–
Redemption of convertible loan notes	(385,000)	–
Conversion of convertible loan notes into shares of the Company	(31,677)	(16,003)
Issue of convertible loan notes	245,694	114,306
Gain arising on changes of fair value	–	(63,226)
Carrying amount at 31 December 2011	323,438	63,567

38. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Loan Notes Issued in 2008

(a) On 17 April 2008, the Company issued convertible loan notes with an aggregate principal amount of HK$385,000,000 ("Convertible Notes"). The maturity date of the Convertible Notes is 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 conversion option component is classified as an equity instrument of the Company.

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

The Convertible Notes contain two components, liability and equity components. The equity component was included in the convertible loan notes equity reserve and is transferred to accumulated losses upon redemption of the Convertible Notes during the current year. 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 years ended 31 December 2011 and 2010. The Convertible Notes were fully repaid during the current year.

38. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2009

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

38. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2009 *(Continued)*

(b) *(Continued)*

(iii) Bondholder's early redemption option:

The Convertible Bondholder shall be entitled by giving 10 business days prior written notice to the Company to 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. At 31 December 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 from 30 June 2012 up to (but excluding) the Maturity Date II and thus the entire Convertible Bond was reclassified as current liabilities as at 31 December 2011. On 21 March 2012, 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 requiring the Company to redeem the whole amount, or any part, of the Convertible Bonds during the period from 30 June 2012 up to (but excluding) the Maturity Date II. The amount payable on redemption in such case is an amount which is equal to the aggregate of (i) the principal amount of the Convertible Bonds 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 Bonds to be redeemed, calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

The Convertible Bond contains liability component, conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative (collectively "the derivative component").

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

The derivative component is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

38. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2009 *(Continued)*

(b) *(Continued)*

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

	31 December 2011	31 December 2010	5 June 2009
Stock price	HK$0.31	HK$0.39	HK$0.60
Exercise price	HK$0.60	HK$0.60	HK$0.60
Volatility (note)	49%	59%	50%
Dividend yield	0%	0%	0%
Option life	2.43 years	3.43 years	5 years
Risk free rate	0.32%	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 31 December 2011, the carrying amount of the liability component of the Convertible Bond is approximately HK$87,626,000 (31 December 2010: HK$65,587,000) and the fair value of the derivative component of the Convertible Bond is approximately HK$19,444,000 (31 December 2010: HK$28,490,000). No conversion was noted for the years ended 31 December 2011 and 2010.

Convertible Bonds Issued in 2011

(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.

38. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2011 *(Continued)*

(c) *(Continued)*

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 year ended 31 December 2011.

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

	31 December 2011	**11 July 2011**	**11 April 2011**
Stock price	HK$0.31	HK$0.45	HK$0.43
Exercise price	HK$0.45	HK$0.45	HK$0.45
Volatility (Note)	46.00%	35.82%	37.62%
Dividend yield	0%	0%	0%
Option life	2.27 years	2.78 years	3 years
Risk free rate	0.43%	0.61%	1.26%

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. On 11 July 2011, a principal amount of HK$45,000,000 was converted into shares of the Company at a conversion price of HK$0.45 per share by exercising the conversion option. As at 31 December 2011, the carrying amount of the liability component of the Convertible Bond II is approximately HK$235,812,000 and the fair value of the derivative component II of the Convertible Bond II is approximately HK$44,123,000.

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

39. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2011		2010	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.25 each				
Authorised:				
At beginning and end of year	**4,000,000,000**	**1,000,000**	4,000,000,000	1,000,000
Issued and fully paid:				
At beginning of year	**2,142,141,179**	**535,535**	2,142,141,179	535,535
Exercise of conversion option of a convertible loan note	**100,000,000**	**25,000**	–	–
At end of year	**2,242,141,179**	**560,535**	2,142,141,179	535,535

In July 2011, the Company allotted and issued a total of 100,000,000 shares at a price of HK$0.45 each to the holder of Convertible Bond II. The new shares rank pari passu with the existing shares in all respects.

40. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

The following tables disclose details and movements in share options under the 2002 Scheme during the years ended 31 December 2011 and 2010:

For the year ended 31 December 2011:

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of shares under options: At 1.1.2011	Granted during the year	Transferred to/from other category during the year	Exercised during the year	Lapsed during the year	At 31.12.2011
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	5,216,000	–	–	–	–	5,216,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	3,851,810	–	–	–	–	3,851,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	32,200,000	–	–	–	–	32,200,000
	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596	18,750,000	–	–	–	–	18,750,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420	35,000,000	–	–	–	–	35,000,000
				98,217,810	–	–	–	–	98,217,810
Employees of the Group	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	4,000,000	–	–	–	–	4,000,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	79,000,000	–	–	–	–	79,000,000
				83,000,000	–	–	–	–	83,000,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	40,130,000	–	–	–	–	40,130,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	11,982,000	–	–	–	–	11,982,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	8,720,000	–	–	–	–	8,720,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	27,400,000	–	–	–	–	27,400,000
				102,301,000	–	–	–	–	102,301,000
				283,518,810	–	–	–	–	283,518,810
Exercisable at the end of the year				283,518,810					283,518,810
Weighted average exercise price per share				HK$0.681					HK$0.681

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

For the year ended 31 December 2010

				Number of shares under options					
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2010	Granted during the year	Transferred to/from other category during the year	Exercised during the year	Lapsed during the year	At 31.12.2010
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	13,242,000	–	(8,026,000)[1]	–	–	5,216,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	7,279,810	–	(3,428,000)[1]	–	–	3,851,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	54,600,000	–	(22,400,000)[1]	–	–	32,200,000
	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596	18,750,000	–	–	–	–	18,750,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420	–	35,000,000	–	–	–	35,000,000
				97,071,810	35,000,000	(33,854,000)	–	–	98,217,810
Employees of the Group	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	4,000,000	–	–	–	–	4,000,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	85,000,000	–	–	–	(6,000,000)[2]	79,000,000
				89,000,000	–	–	–	(6,000,000)	83,000,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	32,104,000	–	8,026,000[1]	–	–	40,130,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	11,982,000	–	–	–	–	11,982,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	5,292,000	–	3,428,000[1]	–	–	8,720,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	5,000,000	–	22,400,000[1]	–	–	27,400,000
				68,447,000	–	33,854,000	–	–	102,301,000
				254,518,810	35,000,000	–	–	(6,000,000)	283,518,810
Exercisable at the end of the year				254,518,810					283,518,810
Weighted average exercise price per share				HK$0.717					HK$0.681

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

All share options are vested at the date of grant.

[1] Three directors of the Company resigned in the prior year. The Board approved that the share options held by those directors remain exercisable up to the original expiring date and such share options were reclassified from the category of "Directors of the Company" to "Other participants" in 2010.

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

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

Share options were granted to Directors on 14 December 2010. The estimated fair value of the options determined at the date of grant using the Binomial model was HK$8,386,000. The share options were vested upon grant and the Group recognised the total expense of HK$8,386,000 for the year ended 31 December 2010 in respect of share options granted by the Company.

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

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

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

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

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

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

41. RESERVES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Share premium	**667,544**	644,864
Capital redemption reserve (Note 1)	**2,084**	2,084
Capital reserve (Note 2)	**53,690**	53,690
Other reserves	**(565,069)**	(629,848)
	158,249	70,790

Notes:

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

2. By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium of the Company was reduced by an amount of HK$270,000,000. This amount was used to reduce the Company's accumulated losses of HK$216,310,000 and the balance of HK$53,690,000 was credited to the Company's capital reserve which is non-distributable. At the end of the reporting period, the Company did not have any reserve available for distribution (2010: nil).

42. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation of investment properties	Impairment loss on trade receivables	Impairment loss on amounts due from customers for contract work	Convertible loan notes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
At 1 January 2010	356	–	(345)	(4,084)	6,426	2,353
Exchange realignment	4	–	(15)	(111)	–	(122)
Credit to profit or loss for the year	(343)	–	(565)	(163)	(4,878)	(5,949)
Charged to other comprehensive income	–	2,794	–	–	–	2,794
At 31 December 2010 and 1 January 2011	17	2,794	(925)	(4,358)	1,548	(924)
Exchange realignment	–	–	(75)	(336)	–	(411)
Credit to profit or loss for the year	(17)	–	(860)	(304)	(1,548)	(2,729)
Charged to other comprehensive income	–	436	–	–	–	436
Transferred to disposal group held-for-sale	–	(3,230)	–	–	–	(3,230)
Adjustment resulting from changes in expected reversal of temporary differences	–	–	–	(3,013)	–	(3,013)
At 31 December 2011	–	–	(1,860)	(8,011)	–	(9,871)

42. DEFERRED TAXATION *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
THE GROUP		
Deferred tax assets	**(9,871)**	(5,283)
Deferred tax liabilities	**–**	4,359
	(9,871)	(924)

	Deferred tax liability on convertible loan notes	
	2011 **HK$'000**	2010 HK$'000
THE COMPANY		
At beginning of year	**1,548**	6,426
Credit to profit or loss for the year	**(1,548)**	(4,878)
At end of year	**–**	1,548

The Group had recognised deferred tax assets amounted to approximately HK$9,871,000 (2010: HK$5,283,000) in relation to deductible temporary differences relating to impairment of trade receivables and amounts due from customers for contract work as it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences can be utilised.

42. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$636,549,000 (31 December 2010: HK$476,222,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams for both years. The tax losses may be carried forward indefinitely. During the year ended 31 December 2011, subsidiaries with unused tax losses of approximately HK$73,300,000 (2010: HK$14,575,000) were disposed of.

As 31 December 2011, the Company had unrecognised tax losses amounting to approximately HK$193,838,000 (2010: HK$134,880,000) which can be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit scheme.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$22,206,000 (2010: HK$20,434,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

43. DISPOSAL OF SUBSIDIARIES

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

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

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

The deferred consideration was included in other receivables in prior year and settled in cash by the purchaser during the year ended 31 December 2011.

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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

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

The deferred consideration was included in other receivables in prior year and settled in cash by the purchaser during the year ended 31 December 2011.

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Net cash inflow on disposal of certain subsidiaries

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Disposal of Yinshi Consultant (note 43(a))	**4,118**	1,568
Disposal of Printronics China and Far East (note 43(b))	**1,491**	1,495
	5,609	3,063
Discontinued operations		
Disposal of Dorup	**–**	1,488
Disposal of Hop Cheong (note 13(c))	**–**	5,764
Disposal of Remarkable (note 29(b))	**91,039**	113,925
	91,039	121,177
	96,648	124,240

(d) Gain on disposal of subsidiaries

	2010 HK$'000
Continuing operations	
Gain on disposal of Yinshi Consultant (note 43(a))	121
Gain on disposal of Printronics China and Far East (note 43(b))	358
	479
Discontinued operations	
Gain on disposal of Hop Cheong (note 13(c))	1,975
	2,454

44. ACQUISITION OF A SUBSIDIARY

On 31 December 2010, the Group acquired an additional 31.5% of the issued share capital of Concord Optic bringing its shareholding from 48.5% to 80% for a consideration of RMB4,095,000 (equivalent to approximately HK$4,750,000). Before the acquisition, the Group recognised its equity interest in Concord Optic as an associate using equity method. As at 31 December 2010, this acquisition had been accounted for using the acquisition method resulting in goodwill of HK$4,402,000. Concord Optic is engaged in the manufacture and sales of LED lighting system.

Consideration transferred

	HK$'000
Cash	4,750

Assets acquired and liabilities recognised at the date of acquisition are as follow:

	HK$'000
Property, plant and equipment	946
Inventories	4,481
Trade and other receivables	3,768
Bank balances and cash	75
Other payables	(5,846)
Bank borrowings	(2,320)
	1,104

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,248,000 (equivalent to approximately HK$3,768,000), which is also the gross contractual amount.

44. ACQUISITION OF A SUBSIDIARY *(Continued)*

In determining the goodwill of HK$4,402,000, the management took into account the fair value of consideration paid of HK$4,750,000, fair value of previously-held interest of 48.5% as well as the amount of non-controlling interests of Concord Optic. The non-controlling interests recognised at the acquisition date of HK$221,000 was measured at their proportionate share of recognised amount of Concord Optic's identifiable net assets. The management considered that the impact on goodwill and profit for the year in relation to measuring previously-held interest at fair value at the date of acquisition is not significant as the fair value does not differ materially from its carrying amount.

Goodwill arose in the acquisition of Concord Optic because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Concord Optic. Concord Optic was acquired so as to continue the expansion of the Group's energy saving operation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Concord Optic

	HK$'000
Cash consideration paid	(4,750)
Less: Bank balances and cash acquired	75
	(4,675)

No profit and revenue for the year ended 31 December 2010 is attributable to the additional business generated by Concord Optic.

Had the acquisition been completed on 1 January 2010, total group revenue for the year ended 31 December 2010 would have been HK$588,895,000, and profit for the period would have been HK$11,315,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

45. MAJOR NON-CASH TRANSACTIONS

For the years ended 31 December 2010 and 2011, non-cash transactions have taken place as follows:

(a) In 2011, a principal amount of Convertible Bond II amounting to HK$45,000,000 was converted into shares of the Company at a conversion price of HK$0.45 per share.

(b) Success East ceased to be an associate and became available-for-sale investment of the Company. Details are set out in note 24(2).

(c) In 2010, the Group received an aggregate amount of HK$21,200,000 from an independent third party which was included in other payable as at 31 December 2010. In 2011, an amount of HK$11,224,000 was utilised to set off part of the consideration receivable from that third party for the disposal of such associate as detailed in note 24. The remaining balance of HK$9,976,000 was utilised to settle the amount due from an associate of the same amount.

(d) In 2010, the deposits paid for acquisition of equipment amounted to RMB313,159,000 (equivalent to HK$353,870,000) as at 31 December 2009 were utilised to settle the acquisition of equipment as described in note 25.

(e) In 2010, a consideration receivable of RMB108,000,000 (equivalent to HK$122,040,000) with regard to novation of the rights and obligations under the Old Cooperation Agreement as described in note 25(b) was offset against the first instalment of the consideration payable for acquisition of new contract acquisition costs. The Group has disposed of the available-for-sale investments with carrying amount of approximately HK$14,107,000. The amount has not been settled at 31 December 2010 and included in other receivable. Details are set out in note 25.

46. OPERATING LEASES

The Group and the Company as lessee

Minimum lease payments paid by the Group under operating leases during the year amounted to approximately HK$6,680,000 (2010: HK$7,649,000).

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,829**	5,398	**1,870**	1,870
In the second to fifth year inclusive	**4,388**	8,231	**–**	1,870
Over five years	**15**	479	**–**	–
	9,232	14,108	**1,870**	3,740

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

The Group as lessor

Property and machinery rental income earned during the year was approximately HK$5,006,000 (2010: HK$2,913,000), less direct operating expenses of approximately HK$589,000 (2010: HK$9,000).

The Group leases its investment properties and machinery under operating lease arrangements with leases negotiated for terms ranging from one to five years. All the properties held have committed tenants for the next four years (2010: for the next five years). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

46. OPERATING LEASES *(Continued)*

The Group as lessor *(Continued)*

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2011	2010
	HK$'000	HK$'000
Within one year	4,922	3,153
In the second to fifth years inclusive	8,376	6,031
	13,298	9,184

In addition, pursuant to an agreement entered into between the Group and Southern Yinshi (note 25), the Group conveys the right to use DTV equipment for 20 years. The entire lease payment in respect of leasing DTV equipment to local DTV project companies is determined on a contingent basis, accordingly not included in above. The results of the DTV business for years ended 31 December 2011 and 2010 have been included in the consolidated statement of comprehensive income as discontinued operations. The lease for DTV equipment will be disposed together with the DTV business. The right to use DTV equipment has been classified as held-for-sale as explained in note 13(a).

47. CAPITAL COMMITMENT

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	108,802	392,744

48. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cross guarantee given to banks, in respect of banking facilities to third parties				
– amount that could be required to be paid if the guarantee was called upon in entirety	**55,350**	63,800	**–**	–
– amount utilised	**50,430**	47,560	**–**	–
Guarantee given to banks in respect of banking facilities obtained by a subsidiary				
– amount guaranteed	**–**	–	**645,750**	583,600
– amount utilised	**–**	–	**503,070**	504,600

The Group and the Company had provided guarantees to banks in respect of banking facilities granted to third parties and a subsidiary at nil consideration. Fair value of these financial guarantees at initial recognition is considered as insignificant. In the opinion of the directors, no provision for the guarantee contracts is recognised at the end of the reporting period as the default risk is low.

49. RETIREMENT BENEFIT SCHEMES

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

49. RETIREMENT BENEFIT SCHEMES *(Continued)*

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

The total cost charged to income of approximately HK$5,821,000 (2010: HK$3,456,000) represents contributions payable to the MPF Scheme and state-managed scheme of approximately HK$692,000 (2010: HK$584,000) and HK$5,129,000 (2010: HK$2,872,000), respectively.

50. 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 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.

(i) Transactions with Shougang HK Group

	2011	2010
	HK$'000	HK$'000
Management fees paid to Shougang HK Group	**660**	1,620
Interest expenses paid to Shougang HK Group	**1,709**	–
Corporate guarantee by Shougang HK Group	–	278,000

50. RELATED PARTY TRANSACTIONS *(Continued)*

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

(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 year, the Group has received technical service fee amounting to approximately HK$214,394,000 (2010: HK$156,145,000) which represents 43% (2010: 27%) of total revenue (including both continuing and discontinued operations) of the Group. As at 31 December 2011, trade receivable due from Southern Yinshi amounted to approximately HK$173,730,000 and is included in disposal group classified as held-for-sale (2010: HK$149,353,000) which represents 61% (2010: 50%) of total trade receivables of the Group.

(b) Transactions with non-PRC government-related entities

(i) Compensation of key management personnel

The remuneration of key management members, who are the directors of the Group during the year, was as follows:

	2011 **HK$'000**	2010 HK$'000
Short term benefits	**8,460**	13,865
Post-employment benefits	**240**	247
Share-based payments	**–**	8,386
	8,700	22,498

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

50. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with non-PRC government-related entities *(Continued)*

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

Guarantor	Relationship	Type of guarantee	Guarantee amount	
			2011	2010
			HK$'000	HK$'000
Mr. Chau Chit	Director of the Company	Personnal guarantee	**24,600**	–
Mega Start Limited	Controlled by Mr. Chau Chit	Corporate guarantee	**–**	78,000

(c) Details of balances and other arrangements with related parties of the Group and the Company are set out in the Company's statement of financial position and the Group's consolidated statement of financial position on pages 50 to 51 and in notes 10, 23, 24, 32, 33 and 37.

51. EVENTS AFTER THE REPORTING PERIOD

(a) On 23 December 2011, the Company entered into a sale agreement to dispose of its DTV business, at a total proceeds of HK$1,350 million. According to the supplemental agreement dated 29 February 2012, the total proceeds has been revised to HK$1,420 million as disclosed in note 13(a). The disposal is expected to be completed before 30 June 2012.

In February 2012, part of the consideration amounting to HK$50,000,000 was collected.

(b) As disclosed in note 13(e), in December 2011, the Company entered into agreements to dispose of its entire interests in Santai Electronics and Aberdeen Investments for a total consideration of RMB53,000,000 (equivalent to HK$65,122,000). Part of the consideration of HK$13,038,000 and HK$13,053,000 were collected in December 2011 and March 2012, respectively. The disposal is expected to be completed in 2012.

(c) On 29 February 2012, Shenzhen Tiger Information Technology Development Co., Ltd., a wholly-owned subsidiary of the Company, agreed to provide Wuxi Ledong Microelectronics Co., Ltd. ("Ledong") an advance of RMB65 million (equivalent to approximately HK$79,950,000). Ledong holds 19% interest in WRML on trust for the Group. Ledong will use such advance for additional capital injection in WRML for the development of photomask project in the PRC.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the years ended 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Profit (loss) for the year attributable to:					
Owners of the Company	78,759	(30,745)	141,197	9,507	**(148,642)**
Non-controlling interests	8,332	5,134	1,755	(676)	**4,970**
	87,091	(25,611)	142,952	8,831	**(143,672)**
Earnings (loss) per share					
Basic (HK cents)	4.46	(1.60)	6.87	0.44	**(6.79)**
Diluted (HK cents)	4.31	–	–	–	**–**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At the year ended 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Total assets	1,672,137	2,020,670	2,686,899	3,234,810	**3,080,299**
Total liabilities	(729,158)	(991,184)	(1,423,518)	(1,938,910)	**(1,820,549)**
	942,979	1,029,486	1,263,381	1,295,900	**1,259,750**
Equity attributable to owners of the Company	865,427	1,012,205	1,218,953	1,249,671	**1,205,682**
Non-controlling interests	77,552	17,281	44,428	46,229	**54,068**
	942,979	1,029,486	1,263,381	1,295,900	**1,259,750**