



**SHOUGANG CONCORD TECHNOLOGY  
HOLDINGS LIMITED**

Stock Code : 521

**INTERIM REPORT 2012**

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## CORPORATE INFORMATION

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### 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

Li Shaofeng (*Chairman*)  
Leung Shun Sang, Tony  
Wong Kun Kim  
Leung Kai Cheung  
Wong Wai Kwan

### Remuneration Committee

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

**CORPORATE INFORMATION (continued)**

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

**Company Secretary** Cheng Man Ching

**Auditor** Deloitte Touche Tohmatsu

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

**Registered Office and  
Principal Place of  
Business** Unit 2102, 21st Floor  
Tower II, Admiralty Centre  
No. 18 Harcourt Road  
Hong Kong

**Stock Code** 521

**Website** [www.shougang-tech.com.hk](http://www.shougang-tech.com.hk)

## INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Technology Holdings Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		<b>Six months ended 30 June</b>	
	<i>NOTES</i>	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>			
Revenue	3	<b>103,326</b>	106,714
Cost of sales		<b>(84,056)</b>	(82,028)
Gross profit		<b>19,270</b>	24,686
Other income		<b>4,144</b>	6,256
Other gains and losses	4	<b>(23,700)</b>	(1,962)
Selling and distribution costs		<b>(4,705)</b>	(3,880)
Administrative expenses		<b>(40,272)</b>	(47,948)
Finance costs	7	<b>(45,196)</b>	(39,620)
Loss before tax		<b>(90,459)</b>	(62,468)
Income tax credit (expense)	8	<b>595</b>	(104)
Loss for the period from continuing operations		<b>(89,864)</b>	(62,572)
<b>Discontinued operations</b>			
(Loss) profit for the period from discontinued operations	9	<b>(57,990)</b>	10,936
Loss for the period	10	<b>(147,854)</b>	(51,636)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
<b>Other comprehensive income</b>		
<i>Exchange difference arising on translation</i>		
Exchange difference arising during the period	–	30,195
Share of translation difference of associates	–	138
Reclassification adjustment upon disposal of an associate	–	(289)
<i>Available-for-sale investments</i>		
Reclassification adjustment upon disposal of an associate	–	2,090
Reclassification adjustment upon loss of significant influence of an associate	–	(2,154)
Fair value loss on available-for-sale investments	<b>(12,441)</b>	–
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments	<b>12,441</b>	–
<i>Revaluation of property</i>		
Gain on revaluation upon transfer from property, plant and equipment to investment properties	–	2,902
Deferred tax upon transfer from property, plant and equipment to investment properties	–	(436)
Other comprehensive income for the period	–	32,446
Total comprehensive expense for the period	<b>(147,854)</b>	(19,190)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		<b>Six months ended 30 June</b>	
	<i>NOTE</i>	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
(Loss) profit for the period attributable to the owners of the Company			
– Loss for the period from continuing operations		<b>(85,809)</b>	(62,583)
– (Loss) profit for the period from discontinued operations		<b>(57,990)</b>	10,936
Loss for the period attributable to the owners of the Company		<b><u>(143,799)</u></b>	<u>(51,647)</u>
(Loss) profit for the period from continuing operations attributable to non-controlling interests		<b><u>(4,055)</u></b>	<u>11</u>
(Loss) profit for the period attributable to: Owners of the Company		<b>(143,799)</b>	(51,647)
Non-controlling interests		<b>(4,055)</b>	11
		<b><u>(147,854)</u></b>	<u>(51,636)</u>
Total comprehensive (expense) income attributable to: Owners of the Company		<b>(143,799)</b>	(20,767)
Non-controlling interests		<b>(4,055)</b>	1,577
		<b><u>(147,854)</u></b>	<u>(19,190)</u>
<b>Loss per share</b>	12		
<i>From continuing and discontinued operations</i>			
Basic		<b><u>HK(6.41) cents</u></b>	<u>HK(2.41) cents</u>
Diluted		<b><u>HK(6.41) cents</u></b>	<u>HK(2.41) cents</u>
<i>From continuing operations</i>			
Basic		<b><u>HK(3.83) cents</u></b>	<u>HK(2.92) cents</u>
Diluted		<b><u>HK(3.83) cents</u></b>	<u>HK(2.92) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	15,515	16,163
Goodwill	16	70,000	74,668
Intangible assets	17	7,518	8,841
Deposit paid for acquisition of a property	18	43,050	43,050
Investments in associates	13	2,460	6,690
Available-for-sale investments	14	41,776	54,217
Club debentures		700	700
Deferred tax assets		10,579	9,871
		<b>191,598</b>	214,200
<b>CURRENT ASSETS</b>			
Inventories		29,238	23,894
Trade and bills receivables	19(a)	100,238	112,247
Prepayments, deposits and other receivables	19(b)	151,725	304,704
Held-for-trading investments		1,623	2,490
Amounts due from customers for contract work	20	403,404	419,773
Tax recoverable		1,711	1,711
Pledged bank deposits		270,699	333,106
Bank balances and cash		94,119	118,870
		<b>1,052,757</b>	1,316,795
Disposal groups classified as held-for-sale	9	1,606,054	1,549,304
		<b>2,658,811</b>	2,866,099



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

AT 30 JUNE 2012

	NOTES	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	21(a)	186,665	198,710
Other payables, deposits received and accruals	21(b)	54,779	55,739
Amounts due to customers for contract work	20	1,770	1,770
Tax liabilities		7,312	11,685
Borrowings – due within one year	22	524,924	609,641
Convertible loan notes	23	100,101	87,626
Embedded derivative component of convertible loan notes	23	18,289	19,444
		<b>893,840</b>	984,615
Liabilities associated with disposal groups classified as held-for-sale	9	545,793	555,999
		<b>1,439,633</b>	1,540,614
<b>NET CURRENT ASSETS</b>		<b>1,219,178</b>	1,325,485
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,410,776</b>	1,539,685
<b>NON-CURRENT LIABILITIES</b>			
Convertible loan notes	23	253,444	235,812
Embedded derivative component of convertible loan notes	23	45,436	44,123
		<b>298,880</b>	279,935
<b>NET ASSETS</b>		<b>1,111,896</b>	1,259,750
<b>CAPITAL AND RESERVES</b>			
Share capital	24	560,535	560,535
Reserves		495,300	616,111
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale		6,048	29,036
Equity attributable to owners of the Company		<b>1,061,883</b>	1,205,682
Non-controlling interests		50,013	54,068
<b>TOTAL EQUITY</b>		<b>1,111,896</b>	1,259,750

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company												Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale	Attributable to non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Property revaluation reserve	Other reserves	Translation reserve	Capital reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Convertible loan notes equity	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	535,535	644,864	2,084	21,883	360	55,149	53,680	64	38,938	(171,663)	68,767	-	1,249,871	46,229	1,296,900
Loss for the period	-	-	-	-	-	-	-	-	-	(51,647)	-	-	(51,647)	11	(51,636)
Share of translation difference of associates	-	-	-	-	-	138	-	-	-	-	-	-	138	-	138
Exchange difference arising during the period	-	-	-	-	-	28,629	-	-	-	-	-	-	28,629	1,566	30,195
Gain on revaluation upon transfer from property, plant and equipment to investment properties	-	-	-	2,902	-	-	-	-	-	-	-	-	2,902	-	2,902
Deferred tax upon transfer from property, plant and equipment to investment properties	-	-	-	(436)	-	-	-	-	-	-	-	-	(436)	-	(436)
Reserve released upon disposal of an associate	-	-	-	-	-	(289)	-	2,090	-	-	-	-	1,801	-	1,801
Reserve released upon loss of significant influence of an associate	-	-	-	-	-	-	-	(2,154)	-	-	-	-	(2,154)	-	(2,154)
Total comprehensive expense for the period	-	-	-	2,466	-	28,478	-	(64)	-	(51,647)	-	-	(20,767)	1,577	(19,190)
Expiration of option upon redemption of convertible loan notes	-	-	-	-	-	-	-	-	-	68,767	(68,767)	-	-	-	-
At 30 June 2011 (unaudited)	535,535	644,864	2,084	24,349	360	83,627	53,680	-	38,938	(154,543)	-	-	1,228,904	47,806	1,276,710
At 1 January 2012 (audited)	560,535	667,544	2,084	-	360	105,033	53,680	-	38,938	(251,538)	-	29,036	1,265,883	54,068	1,259,750
Loss for the period	-	-	-	-	-	-	-	-	-	(143,799)	-	-	(143,799)	(4,055)	(147,854)
Fair value loss on available-for-sale investments	-	-	-	-	-	-	-	(12,441)	-	-	-	-	(12,441)	-	(12,441)
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments	-	-	-	-	-	-	-	12,441	-	-	-	-	12,441	-	12,441
Release of amount recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale upon completion of disposal	-	-	-	-	-	-	-	-	-	22,888	-	(22,888)	-	-	-
At 30 June 2012 (unaudited)	560,535	667,544	2,084	-	360	105,033	53,680	-	38,938	(372,349)	-	6,048	1,061,883	50,013	1,111,896

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

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FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 periods.

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

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
NOTES		<b>HK\$'000</b> <b>(unaudited)</b>	<i>HK\$'000</i> (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		<b>(51,735)</b>	(113,834)
INVESTING ACTIVITIES			
	Placement of pledged bank deposits	<b>(185,182)</b>	(241,176)
	Withdrawal of pledged bank deposits	<b>248,651</b>	3,497
	Deposit paid for acquisition of equipment	–	(29,918)
	Purchase of property, plant and equipment	<b>(39,287)</b>	(19,870)
	Purchase of intangible assets	–	(2,062)
	Purchase of available-for-sale investments	–	(1,782)
	Net cash inflow on disposal of subsidiaries	<b>51,742</b>	–
	Proceeds from disposal of property, plant and equipment	<b>702</b>	1,442
	Consideration received from disposal of subsidiaries in prior years	<b>89,846</b>	70,709
	Deposits received from purchaser relating to disposal group classified as held-for-sale	<b>50,000</b>	–
	Shareholder's loan to Wuxi Remarkable Mask Limited	<b>(79,950)</b>	–
	Other investing activities	<b>9,105</b>	5,638
NET CASH FROM (USED IN) INVESTING ACTIVITIES		<b>145,627</b>	(213,522)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
<b>FINANCING ACTIVITIES</b>		
New bank loans raised	<b>367,934</b>	398,848
Loan from a related company	<b>116,400</b>	–
Proceeds from issue of convertible loan notes	–	360,000
Repayments of convertible loan notes	–	(385,000)
Repayments of bank loans	<b>(513,651)</b>	(162,980)
Repayments of trust receipts loans	–	(10,733)
Repayment of loan from a related company	<b>(54,390)</b>	–
Repayment of loan granted by a shareholder of the Company	<b>(17,000)</b>	–
Repayment of loan from a third party	<b>(22,140)</b>	–
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(122,847)</b>	200,135
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(28,955)</b>	(127,221)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>123,262</b>	210,318
Effect of foreign exchange rate changes	–	(11,967)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash</b>	<b>94,307</b>	71,130
Represent by:		
Bank balances and cash	<b>94,119</b>	71,130
Cash and cash equivalents included in a disposal group held-for-sale	<b>188</b>	–
	<b>94,307</b>	71,130

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 1. BASIS OF PREPARATION

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

In the preparation of the Group’s annual financial statements for the year ended 31 December 2011 (“2011 Annual Financial Statements”), the directors of the Company determined that the Group’s digital television (“DTV”) technical solution and equipment business (the “DTV business”) was classified as discontinued operations as the Group entered into a sale agreement with Hong Kong Guang Hua Resources Investments Company Limited (“Guang Hua”) on 23 December 2011 to dispose of its entire interest in the subsidiaries which carried out all of the Group’s DTV business, at which time, the assets and liabilities attributable to the DTV business are classified as disposal group held-for-sale (“DTV Disposal Group”).

As detailed in the Company’s announcement on 29 June 2012, this transaction has been approved by the shareholders of the Company and is pending for approval from shareholders of Guangdong Southern Yinshi Network Media Company Limited (“Southern Yinshi”), an entity that jointly operates a platform with the Group on providing multi-media information services based on cabled DTV network in the Guangdong Province. Guang Hua and the Company have agreed that the time for fulfilment or waiver of the aforesaid outstanding condition be extended to 31 December 2012 or such other date as may be further agreed with Guang Hua. The directors considered that the sale remains highly probable, thus, the DTV Disposal Group continued to be classified as held-for-sale in the condensed consolidated statement of financial position as at 30 June 2012. Details of this DTV Disposal Group are set out in note 9.

The result of the DTV business for the six months ended 30 June 2012 is classified as discontinued operations and presented separately in the condensed consolidated statement of comprehensive income. The comparative figures of the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 have been restated to reflect the discontinuance of the DTV business.

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

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FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the 2011 Annual Financial Statements.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants:

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*.

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, 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. If the presumption is rebutted, the deferred taxes shall reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the investment properties.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

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*FOR THE SIX MONTHS ENDED 30 JUNE 2012*

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

- Intelligent information business – Development and provision of system integration solutions, system design and sales of system hardware.
- Others – Provision of management services, leasing of investment properties and sales of light emitted diode products. At 31 December 2011, assets and liabilities relating to leasing of investment properties were classified as a disposal group held-for-sale.

In 2011, a reportable and operating segment namely "DTV technical solutions and equipment business" was classified as a disposal group held-for-sale and included in discontinued operations as described in note 1. In addition, the loss incurred for disposal of Remarkable Mask Technology Company Limited ("Remarkable") was also included in discontinued operation as described in note 9(b). The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in note 9.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**3. SEGMENT INFORMATION (continued)**

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

**Six months ended 30 June 2012 (unaudited)**

**Continuing operations**

	<b>Intelligent information business HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
SEGMENT REVENUE			
External sales	<u>99,467</u>	<u>3,859</u>	<u>103,326</u>
Segment loss	<u>(8,428)</u>	<u>(12,043)</u>	<u>(20,471)</u>
Unallocated income			4,309
Unallocated expenses			(16,101)
Decrease in fair value of held-for-trading investments			(100)
Impairment loss recognised in respect of available-for-sale investments			(12,441)
Loss on fair value change of the derivative components of convertible loan notes			(158)
Loss on disposal of subsidiaries			(301)
Finance costs			<u>(45,196)</u>
Loss before tax (continuing operations)			<u>(90,459)</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**3. SEGMENT INFORMATION (continued)**  
**Six months ended 30 June 2011 (unaudited)**

**Continuing operations**

	Intelligent information business HK\$'000	Others HK\$'000 (restated)	Total HK\$'000 (restated)
SEGMENT REVENUE			
External sales	<u>100,540</u>	<u>6,174</u>	<u>106,714</u>
Segment profit (loss)	<u>13,578</u>	<u>(10,320)</u>	3,258
Unallocated income			4,697
Unallocated expenses			(24,872)
Decrease in fair value of held-for-trading investments			(1,185)
Loss on fair value change of the derivative components of convertible loan notes			(9,794)
Gain on disposal of an associate			2,894
Gain on loss of significant influence of an associate			2,154
Finance costs			<u>(39,620)</u>
Loss before tax (continuing operations)			<u>(62,468)</u>

The accounting policies of the operating segments are the same as the Group's principal accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of certain income and expense (primarily bank interest income and unallocated head office expenses) 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 for the six months ended 30 June 2012 and 2011.

In the current interim period, the Group disposed of assets and liabilities relating to leasing of investment properties reported under "Others" operating segment as at 31 December 2011. Other than this, there is no material change in the amounts of segment assets from 31 December 2011.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**4. OTHER GAINS AND LOSSES**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Continuing operations</b>		
Decrease in fair value of held-for-trading investments	<b>(100)</b>	(1,185)
Gain on disposal of an associate ( <i>note 6</i> )	–	2,894
Gain on loss of significant influence of an associate ( <i>note 14</i> )	–	2,154
Loss on disposal of subsidiaries ( <i>note 5</i> )	<b>(301)</b>	–
Loss on fair value change of the derivative components of convertible loan notes ( <i>note 23</i> )	<b>(158)</b>	(9,794)
Impairment loss on goodwill ( <i>note 16</i> )	<b>(4,668)</b>	–
Impairment loss recognised in respect of intangible assets ( <i>note 17</i> )	–	(631)
Impairment loss recognised in respect of other receivables	<b>(3,918)</b>	(1,621)
Impairment loss (recognised) reversed in respect of trade receivables	<b>(608)</b>	2,182
Impairment loss recognised in respect of available-for-sale investments ( <i>note 14</i> )	<b>(12,441)</b>	–
Others	<b>(1,506)</b>	4,039
	<b>(23,700)</b>	(1,962)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**5. DISPOSAL OF SUBSIDIARIES**

In December 2011, the Company entered into agreements 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 approximately HK\$64,850,000). Santai Electronics and Aberdeen Investments were sold to China Glory Management Limited and Winteractive Development Limited, respectively. The two purchasers, being wholly-owned subsidiaries of Solartech International Holdings Limited, are independent third parties of the Company. The assets and liabilities attributable to Santai Electronics and Aberdeen Investments were classified as a disposal group held-for-sale and were presented separately in the condensed consolidated statement of financial position as of 31 December 2011.

On 22 June 2012, the disposals were completed and the control of Santai Electronics and Aberdeen Investments was passed to the purchasers.

The net assets of Santai Electronics and Aberdeen Investments at the completion date of disposals were as follows:

	<b>22 June 2012 HK\$'000 (unaudited)</b>
Investment properties	<b>75,254</b>
Property, plant and equipment	<b>368</b>
Prepaid lease payments	<b>2,452</b>
Deferred tax liabilities	<b>(3,230)</b>
	<hr/>
Disposal group classified as held-for-sale	<b>74,844</b>
Impairment loss previously recognised on disposal group	<b>(9,763)</b>
	<hr/>
Net assets disposed of	<b>65,081</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**5. DISPOSAL OF SUBSIDIARIES (continued)**

The disposals had resulted in a loss of approximately of HK\$301,000 in the current interim period, calculated as follows:

	<b>HK\$'000</b> <b>(unaudited)</b>
Cash consideration	<b>64,850</b>
Less: transaction costs	<b>(70)</b>
	<b>64,780</b>
Less: net assets disposed of	<b>(65,081)</b>
Loss recognised in profit or loss	<b>(301)</b>

In 2011, the Group received an amount of HK\$13,038,000 as part of the cash consideration. Accordingly, the disposals resulted in a net cash inflow of HK\$51,742,000 in the current interim period, after payment of transaction costs amounting to HK\$70,000.

In addition, the disposals have resulted in release of property revaluation reserve and translation reserve of HK\$22,988,000 in aggregate to accumulated losses.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**6. GAIN ON DISPOSAL OF AN ASSOCIATE**

As at 31 December 2010, the Group held a 24% equity interest in Shanghai Tai Hung Investment Management Company Limited ("Shanghai Tai Hung") which was principally engaged in investment in listed securities and accounted for the investment as an associate. In January 2011, the Group disposed of its entire equity interest in Shanghai Tai Hung to an independent third party for proceeds of HK\$11,890,000, of which HK\$11,224,000 had been received in 2010 and remaining balance of HK\$666,000 in second half of 2011. This transaction had resulted in the recognition of a gain of HK\$2,894,000 in profit or loss during the six months ended 30 June 2011, calculated as follows:

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

**7. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>		
Interest on:		
Convertible loan notes ( <i>note 23</i> )	<b>30,220</b>	30,248
Bank borrowings wholly repayable within five years	<b>11,807</b>	9,372
Loan from a related company ( <i>note 28 (a)</i> )	<b>2,787</b>	–
Loan from a shareholder of the Company ( <i>note 28(b)</i> )	<b>33</b>	–
Loan from a third party	<b>349</b>	–
	<u><b>45,196</b></u>	<u>39,620</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**8. INCOME TAX (CREDIT) EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>		
Current tax:		
Hong Kong	<b>21</b>	–
PRC Enterprise Income Tax	<b>92</b>	4,306
	<b>113</b>	4,306
Deferred tax	<b>(708)</b>	(4,202)
Income tax (credit) expense	<b>(595)</b>	104

The income tax (credit) expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used for the six months ended 30 June 2012 is 25% (2011: ranged from 12.5% to 25%) for the period under review. The relevant tax rate for the Group's subsidiaries is 25% for the six months ended 30 June 2012 (2011: ranged from 12.5% to 25%).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE**

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit of DTV business ( <i>Note (a)</i> )	–	10,936
Loss incurred for Remarkable ( <i>Note (b)</i> )	<b>(57,990)</b>	–
	<hr/>	<hr/>
(Loss) profit for the period from discontinued operations attributable to owners of the Company	<b>(57,990)</b>	10,936
	<hr/> <hr/>	<hr/> <hr/>

Disposal groups classified as held-for-sale are analysed as follows:

	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
DTV business ( <i>Note (a)</i> )	<b>1,521,874</b>	1,480,952
Investment cost and shareholder's loan to Wuxi Remarkable (as defined and explained in <i>note 13</i> )	<b>84,180</b>	–
Leasing of investment properties	–	68,352
	<hr/>	<hr/>
Disposal groups classified as held-for-sale	<b>1,606,054</b>	1,549,304
	<hr/> <hr/>	<hr/> <hr/>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)**

Liabilities associated with disposal groups classified as held-for-sale is analysed as follows:

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
DTV business, excluding amounts due to group entities (Note (a))	<b>545,793</b>	539,731
Leasing of investment properties	–	16,268
Liabilities associated with disposal groups classified as held-for-sale	<b>545,793</b>	<b>555,999</b>

The directors consider that the net proceeds from the disposal of the DTV business and investment cost together with shareholder's loan to Wuxi Remarkable would not be less than the respective carrying amounts and accordingly, no impairment loss has been recognised.

Notes:

(a) DTV business

As described in note 1, DTV business was classified as discontinued operations. Its results for the six months ended 30 June 2012 and 2011, which have been included in the condensed consolidated statement of comprehensive income, were as follows:

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
Revenue	<b>69,593</b>	98,747
Cost of sales	<b>(55,720)</b>	(59,028)
Gross profit	<b>13,873</b>	39,719
Other income and losses	<b>1,643</b>	720
Administrative expenses	<b>(3,116)</b>	(2,788)
Finance costs	<b>(12,400)</b>	(11,903)
Profit before tax	–	25,748
Income tax expense	–	(14,812)
Profit for the period	–	<b>10,936</b>

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

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FOR THE SIX MONTHS ENDED 30 JUNE 2012

**9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)**

*Notes: (continued)*

(a) DTV business (continued)

For the six months ended 30 June 2011, revenue generated from DTV business representing the leasing of DTV equipment to local project companies and technical services rendered to Southern Yinshi for serving their cable television subscribers (collectively referred to as "Provision of DTV Technical Services and Leasing of DTV Equipment") was recognised based on the Group's entitlement to receive the monthly service fee. From 1 January 2012, the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組) reorganised the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company. The Group was no longer able to share such technical service fee and thus, no such revenue was recognised during the six months ended 30 June 2012.

Nonetheless, the Group continued to involve in Provision of DTV Technical Services and Leasing of DTV Equipment during the six months ended 30 June 2012.

On this basis, the Group entered into an agreement with Southern Yinshi whereby Southern Yinshi agreed to pay an amount of HK\$69,593,000 (approximately RMB56,580,000) to the DTV Disposal Group for its Provision of DTV Technical Services and Leasing of DTV Equipment for the six months ended 30 June 2012. The receivable will be settled on or before 31 December 2012.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)**

Notes: (continued)

(a) DTV business (continued)

Profit for the period has been arrived at after (crediting) charging:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Bank interest income	<b>(121)</b>	(15)
Amortisation of intangible assets (included in cost of sales)	<b>10,627</b>	10,267
Depreciation of property, plant and equipment	<b>47,226</b>	36,545
Loss on disposal of property, plant and equipment	<b>—</b>	219
	<b>—————</b>	<b>—————</b>

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash outflows from operating activities	<b>(14,362)</b>	(4,334)
Net cash outflows from investing activities	<b>(36,536)</b>	(17,136)
Net cash inflows (outflows) from financing activities	<b>46,730</b>	(39,214)
	<b>—————</b>	<b>—————</b>
Net cash outflows	<b>(4,168)</b>	(60,684)
	<b>—————</b>	<b>—————</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)**

Notes: (continued)

(a) DTV business (continued)

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

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Investment property	40,794	40,794
Property, plant and equipment (i)	806,042	815,670
Goodwill	13,630	13,630
Intangible assets	389,664	400,291
Trade receivables (ii)	243,323	173,730
Prepayments and other receivables	21,011	24,197
Pledged bank deposits	7,222	8,284
Bank balances and cash	188	4,356
	<b>1,521,874</b>	<b>1,480,952</b>
Trade and bills payables (iii)	28,987	33,385
Other payables and accruals	21,025	22,435
Tax liabilities	92,427	92,427
Bank borrowings (iv)	353,354	391,484
Amounts due to group entities (Note)	956,147	871,287
	<b>1,451,940</b>	<b>1,411,018</b>
Deposit received from purchaser relating to disposal of DTV business	50,000	—
Total liabilities associated with disposal group classified as held-for-sale	<b>1,501,940</b>	<b>1,411,018</b>
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	<b>6,048</b>	<b>6,048</b>

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)**

Notes: (continued)

(a) DTV business (continued)

For presentation in the condensed consolidated statement of financial position as at 30 June 2012, the amounts due to group entities amounting to HK\$956,147,000 (31 December 2011: HK\$871,287,000) have been excluded from the total liabilities associated with disposal groups classified as held-for-sale.

**(i) Property, plant and equipment**

For the six months ended 30 June 2012, this disposal group paid approximately HK\$37,598,000 to acquire property, plant and equipment for its operation.

For the six months ended 30 June 2011, this disposal group disposed of certain equipment with an aggregate carrying amount of HK\$967,000 for cash proceeds of HK\$748,000, resulting in a loss on disposal of HK\$219,000.

For the six months ended 30 June 2011, this disposal group acquired property, plant and equipment of approximately HK\$23,758,000 to operate its DTV business, of which an amount of HK\$5,874,000 was settled by utilising deposit paid for acquisition of equipment in the year ended 31 December 2010.

**(ii) Trade receivables**

An aged analysis of the trade receivables based on invoice date is as follows:

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
0 – 90 days	<b>69,593</b>	63,613
91 – 180 days	–	59,119
181 – 365 days	<b>122,732</b>	50,998
1 – 2 years	<b>50,998</b>	–
	<b>243,323</b>	173,730

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)**

Notes: (continued)

(a) DTV business (continued)

**(iii) Trade and bills payables**

An aged analysis of the trade and bills payables based on the invoice date is as follows:

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
0 – 90 days	<b>20,143</b>	28,912
91 – 180 days	<b>5,536</b>	3,929
181 – 365 days	<b>2,973</b>	409
1 – 2 years	<b>329</b>	135
Over 2 years	<b>6</b>	–
	<b>28,987</b>	33,385

**(iv) Bank borrowings**

For the six months ended 30 June 2012, this disposal group obtained a new bank loan amounting to approximately HK\$2,460,000 and repaid HK\$40,590,000. The borrowings bear interest at two to five year benchmark interest of the People's Bank of China ("PBOC") per annum and are repayable within five years.

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

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FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)

Notes: (continued)

(b) Loss incurred for Remarkable

Pursuant to the sale and purchase agreement on disposal of Remarkable which carried out the manufacture and sales of photomask business and was classified as discontinued operation in 2009, the Group was obliged to ensure the machineries were in good conditions ("Obligation"). In order to meet this Obligation, management of the Group previously estimated that the Group would need to incur expenditure (primarily staff costs and repair and maintenance expenses) amounting to HK\$50,000,000. As at 31 December 2011, the provision was fully utilised. The management determined that no further provision was required as at 31 December 2011 as the management considered that no significant cost would be incurred for meeting the Obligation up to the date of completion of testing and inspection of equipment.

During the current interim period, certain equipment of Remarkable were damaged due to a sudden breakdown of electricity supply in the factory area where the equipment were being tested. Hence the Group engaged Grand Award Limited, an independent third party, to assist in repairing the equipment and to complete the testing and inspection works. In April 2012, the machineries' inspection reports have been finalised and issued and which had expedited the Group's ability to recover the outstanding receivable on disposal of Remarkable. The Group also incurred additional staff costs and repair and maintenance expenses for meeting the Obligation. These expenses were charged to profit or loss and included in the loss for the current period from discontinued operations.

As of 30 June 2012, the Group has settled HK\$29,249,000 to Grand Award Limited and the remaining balance of HK\$11,640,000 is recorded in other payables in the condensed consolidated statement of financial position. The above mentioned settlement of HK\$29,249,000 consists of payments made of HK\$18,450,000 and HK\$10,799,000, which were made to two independent third parties according to payment instruction of Grand Award Limited.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**10. LOSS FOR THE PERIOD**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Continuing operations</b>		
Loss for the period has been arrived at after charging:		
Release of prepaid lease payments	–	42
Amortisation of intangible assets	<b>1,323</b>	952
Depreciation of property, plant and equipment	<b>2,067</b>	8,859
	<b>2,067</b>	<b>8,859</b>

**11. DIVIDENDS**

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



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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**12. LOSS PER SHARE**

**From continuing and discontinued operations**

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

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<b>143,799</b>	51,647
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>2,242,141</b>	2,142,141

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**12. LOSS 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:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited) (restated)
Loss figures are calculated as follows:		
Loss for the period attributable to the owners of the Company	<b>143,799</b>	51,647
Less: loss (profit) for the period from discontinued operations attributable to the owners of the Company	<b>57,990</b>	(10,936)
Loss for the purposes of basic and diluted loss per share from continuing operations	<b>85,809</b>	62,583

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**12. LOSS PER SHARE (continued)**

**From discontinued operations**

Basic and diluted loss per share for the discontinued operations is HK2.58 cents per share (2011: earning of HK0.51 cents per share (restated)).

The calculations of basic and diluted loss (earning) per share from discontinued operations attributable to the owners of the Company are based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
Loss (profit) for the purposes of basic and diluted loss (earning) per share attributable to owners of the Company	<b>57,990</b>	(10,936)

The incremental shares from assumed exercise of share options and conversion of convertible loan notes are excluded in calculating the diluted loss (earning) per share in above because they are antidilutive in calculating the diluted loss per share from continuing operations for both interim periods.

**13. INVESTMENTS IN ASSOCIATES**

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Unlisted investments in associates, at cost less impairment	<b>2,460</b>	6,690
Share of post-acquisition profits and other comprehensive income, net of dividends received	-	-
	<b>2,460</b>	6,690

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**13. INVESTMENTS IN ASSOCIATES (continued)**

At 30 June 2012 and 31 December 2011, 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		Principal activities
			30 June 2012	31 December 2011	
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%	Inactive
Wuxi Remarkable Mask Limited 無錫中微掩模電子有限公司 ("Wuxi Remarkable")	Corporate	The PRC	- (Note)	19% (Note)	Inactive

*Note:*

Wuxi Remarkable is a company registered in the PRC which is beneficially owned as to 19% by the Group. Wuxi Ledong Microelectronics Co., Ltd. ("Ledong") has been holding the 19% interest in Wuxi Remarkable as a trustee for the Group since 2009. The Group was able to exercise significant influence over Wuxi Remarkable because it had the power to join the board of directors of Wuxi Remarkable and exercised its voting rights under the clause stated in the deed of trust of Wuxi Remarkable.

On 29 February 2012, Shenzhen Tiger Information Technology Development Co., Ltd. (深圳市泰格信息科技開發有限公司) ("Tiger Information"), a wholly-owned subsidiary of the Group, entered into a loan agreement with Ledong pursuant to which Tiger Information provided a loan of RMB65,000,000 (equivalent to approximately HK\$79,950,000) to Ledong, which in turn was lent to Wuxi Remarkable as a shareholder's loan for the development of its photomask project in the PRC (the "Shareholder's Loan"). Such loan is unsecured, non-interest bearing and repayable within one year.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 13. INVESTMENTS IN ASSOCIATES (continued)

In March 2012, Ledong issued an offer letter to acquire the Group's entire equity interest in, together with the Shareholder's Loan to Wuxi Remarkable for a consideration of RMB68,439,000 (equivalent to approximately HK\$84,180,000). The directors have committed to a plan to dispose of Wuxi Remarkable before 30 June 2013 and consider that the disposal is highly probable at 30 June 2012. Accordingly, the related investment cost and Shareholder's Loan are classified as a disposal group held-for-sale at 30 June 2012 and are presented separately in the condensed consolidated statement of financial position (note 9).

	<i>HK\$'000</i>
Investment cost	4,230
Shareholder's Loan to Wuxi Remarkable	79,950
	<hr/>
Disposal group classified as held-for-sale	84,180
	<hr/> <hr/>

### 14. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investment at 30 June 2012 and 31 December 2011 representing 19% equity interest in Success East Investment Limited ("Success East"), an entity engaged in investments in listed securities, is measured at fair value.

*For the six months ended 30 June 2011*

Pursuant to the supplemental agreement signed by the shareholders of Success East in 2011, the Group considered its significant influence over Success East was lost as it was no longer able to appoint a director to Success East. As a result, it was reclassified from an investment in associate to available-for-sale investments of the Group for the six months ended 30 June 2011.

The management estimates that the carrying amount of investment in Success East amounting to HK\$57,573,000 approximated 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 for the six months ended 30 June 2011.

*For the six months ended 30 June 2012*

In the directors' opinion, the investment in Success East declined significantly and impairment loss of HK\$12,441,000 (2011: nil) has been recognised in profit or loss accordingly.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**15. PROPERTY, PLANT AND EQUIPMENT**

For the six months ended 30 June 2012, the Group paid approximately HK\$1,689,000 (2011: HK\$1,986,000) to acquire property, plant and equipment to operate its intelligent information system business.

For the six months ended 30 June 2012, the Group disposed of certain equipment with an aggregate carrying amount of HK\$270,000 (2011: HK\$533,000) for cash proceeds of HK\$702,000 (2011: HK\$694,000), resulting in a gain on disposal of HK\$432,000 (2011: HK\$161,000).

Property, plant and equipment of HK\$806,042,000 at 30 June 2012 (31 December 2011: HK\$815,670,000) has been classified as held-for-sale as detailed in note 9.

**16. GOODWILL**

For the purpose of impairment testing, goodwill has been allocated to two cash generating units (CGUs), including one subsidiary reported under “intelligent information business” operating segment and one subsidiary reported under “Others” operating segment. Goodwill of HK\$13,630,000 (31 December 2011: HK\$13,630,000) relating to DTV business has been classified as held-for-sale as detailed in note 9.

The carrying amounts of goodwill relating to continuing operations have been allocated to these units as follows:

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Intelligent information business		
– Sino Stride Technology (Holdings) Limited (“SST”) (Note (a))	<b>70,000</b>	70,000
Others – sales of light emitted diode products		
– Zhejiang Concord Optic-Electronic Technology Company Limited (“Concord Optic”) (Note (b))	–	4,668
	<b>70,000</b>	74,668

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 16. GOODWILL (continued)

Notes:

- (a) For the six months ended 30 June 2012, management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the CGU to which the goodwill has been allocated) is in excess of the aggregate carrying amount of SST. The recoverable amount of SST has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the management of the Group covering a five-year period, and a discount rate of 13.51% (31 December 2011: 13.51%). Cash flows beyond the five-year period are extrapolated using a 3% (31 December 2011: 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.
- (b) In view of the shrinking economy resulted from the saturated market in provision of light emitted diode business ("LED business"), the progress of the LED business has been slowed down since beginning of 2012. Based on current performance of Concord Optic and management's expectations for the market development, Concord Optic is not expected to generate future economic benefits. Thus, the Group made a full impairment loss on goodwill of HK\$4,668,000 (2011: nil), for the six months ended 30 June 2012.

### 17. INTANGIBLE ASSETS

Intangible assets of HK\$389,664,000 at 30 June 2012 (31 December 2011: HK\$400,291,000) have been classified as held-for-sale in note 9.

For the six months ended 30 June 2011, the directors of the Company considered that no future economic benefit was expected to be generated by an intangible asset related to development costs for certain energy saving systems with carrying amount of HK\$631,000, therefore such intangible asset was fully impaired. In addition, the Group incurred development cost of approximately HK\$2,062,000 which was capitalised as intangible assets.

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

The amount represents deposit paid to acquire a property in the PRC for owner occupation pursuant to an agreement entered into between a wholly-owned subsidiary of 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 final payment of RMB4,600,000 (equivalent to approximately HK\$5,658,000) upon issuance of official premises permit of the property from a government body. The acquisition is expected to be completed within five years from 11 February 2010.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**19. TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

**(a) Trade and bills receivables**

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable in the range of 90 to 360 days of issuance, except that 2 years credit period is granted to two customers which are state-owned enterprises. Each customer has a designated credit limit.

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

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
0 – 90 days	<b>31,702</b>	48,889
91 – 180 days	<b>16,084</b>	13,594
181 – 365 days	<b>10,831</b>	8,168
1 – 2 years	<b>38,147</b>	38,026
Over 2 years	<b>3,474</b>	3,570
	<b>100,238</b>	112,247

Trade receivables of HK\$243,323,000 at 30 June 2012 (31 December 2011: HK\$173,730,000) have been classified as held-for-sale in note 9.

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

At 30 June 2012, the balance included deferred cash consideration of HK\$19,655,000 arising from disposal of Remarkable (*Note*), advances to suppliers in relation to intelligent information business of HK\$76,858,000 and deposit for bidding projects for intelligent information business of HK\$35,418,000.

At 31 December 2011, the balance included deferred cash consideration of HK\$109,501,000 arising from disposal of Remarkable (*Note*), advances to suppliers in relation to intelligent information business of HK\$64,351,000 and deposit for bidding projects for intelligent information business of HK\$22,755,000.

Prepayments and other receivables of HK\$21,011,000 at 30 June 2012 (31 December 2011: HK\$24,197,000) have been classified as held-for-sale in note 9.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**19. TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)**

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

*Note:*

On 27 April 2009, a subsidiary of the Company entered into a sale agreement to dispose of its entire interest in Remarkable, 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. Up to 31 December 2011, the remaining unsettled consideration is HK\$109,501,000. Details are disclosed in the 2011 Annual Financial Statements.

In March 2012, with the assistance of Grand Award Limited, an amount of US\$11,559,000 (equivalent to HK\$89,846,000) was received. The remaining instalments receivable is expected to be settled before the end of October 2012.

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

	30 June 2012		31 December 2011	
	US\$'000 (unaudited)	HK\$'000 (unaudited)	US\$'000 (audited)	HK\$'000 (audited)
Current assets	<u>2,534</u>	<u>19,655</u>	<u>14,093</u>	<u>109,501</u>

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK**

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	<b>2,038,752</b>	2,163,417
Less: progress billings	<b>(1,637,118)</b>	(1,745,414)
	<b>401,634</b>	418,003
Analysed for reporting purposes of:		
Amounts due from customers for contract work	<b>403,404</b>	419,773
Amounts due to customers for contract work	<b>(1,770)</b>	(1,770)
	<b>401,634</b>	418,003

At 30 June 2012, certain contract work amounting to approximately HK\$75,444,000 (31 December 2011: HK\$85,132,000) is pending for final billing upon the issuance of audited completion reports by the customers. The amounts were included in amounts due from customers for contract work. Advances received from customers for contract work before the commencement of the contract amounting to approximately HK\$21,625,000 (31 December 2011: HK\$20,473,000) were included in other payables, deposits received and accruals.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**21. TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS**

**(a) Trade and bills payables**

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

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
0 – 90 days	<b>43,810</b>	90,069
91 – 180 days	<b>6,830</b>	15,288
181 – 365 days	<b>39,488</b>	14,238
1 – 2 years	<b>94,508</b>	77,188
Over 2 years	<b>2,029</b>	1,927
	<b>186,665</b>	198,710

Trade and bills payables of HK\$28,987,000 at 30 June 2012 (31 December 2011: HK\$33,385,000) have been grouped under liabilities associated with disposal groups classified as held-for-sale in note 9.

**(b) Other payables, deposits received and accruals**

At 30 June 2012 and 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.

Other payables and accruals of HK\$21,025,000 at 30 June 2012 (31 December 2011: HK\$22,435,000) have been grouped under liabilities associated with disposal groups classified as held-for-sale in note 9.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**22. BORROWINGS**

	<b>30 June 2012</b>	31 December 2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Bank borrowings	<b>408,524</b>	516,111
Loan from a related party ( <i>note 28(a)</i> )	<b>116,400</b>	54,390
Loan from a shareholder of the Company ( <i>note 28(b)</i> )	–	17,000
Loan from a third party	–	22,140
	<b>524,924</b>	609,641
Secured	<b>180,360</b>	303,936
Unsecured	<b>344,564</b>	305,705
	<b>524,924</b>	609,641

At 30 June 2012, the effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings ranged from 6.70% to 10.00% for fixed-rate borrowings (31 December 2011: 5.85% to 10.00%) and from 2.54% to 9.51% (31 December 2011: 2.39% to 7.94%) for variable-rate borrowings.

The variable-rate borrowings bear interest at Hong Kong Interbank Offer Rate plus 2.3% per annum, one year benchmark interest of the PBOC or London Interbank Offered Rate plus 2.3% per annum and are repayable within 1 year.

Bank borrowings of HK\$353,354,000 at 30 June 2012 (31 December 2011: HK\$391,484,000) have been grouped under liabilities associated with disposal groups classified as held-for-sale in note 9.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**23. CONVERTIBLE LOAN NOTES**

The movement of the liability component and the derivative components (including conversion option derivative, bondholder's early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the six months ended 30 June 2012 and 2011 are as follows:

	2012		2011	
	Liability component	Derivative components	Liability component	Derivative components
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January (audited)	<b>323,438</b>	<b>63,567</b>	441,203	28,490
Issue of convertible loan notes	–	–	245,694	114,306
Interest charge	<b>30,220</b>	–	30,248	–
Interest paid	–	–	(3,986)	–
Exchange realignment	<b>(113)</b>	–	83	–
Loss on fair value changes	–	<b>158</b>	–	9,794
Redemption of convertible loan notes	–	–	(385,000)	–
At 30 June (unaudited)	<b>353,545</b>	<b>63,725</b>	328,242	152,590

**Convertible Bonds Issued in 2009**

- (a) On 5 June 2009 ("Issue Date I"), the Company issued a convertible bond for a principal amount of US\$15,000,000 (equivalent to approximately HK\$116,250,000) ("Convertible Bond I") to an independent third party, Templeton Strategic Emerging Markets Fund III, LDC (the "Convertible Bondholder I"). The maturity date of the Convertible Bond I is on 5 June 2014 ("Maturity Date I"). The Convertible Bond I 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 I by the Company. The Convertible Bond I is denominated in United States dollars. Major terms of Convertible Bond I are set out in 2011 Annual Financial Statements.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**23. CONVERTIBLE LOAN NOTES (continued)**  
**Convertible Bonds Issued in 2009 (continued)**  
(a) (continued)

Under a supplemental agreement signed on 21 March 2012 between the Company and the Convertible Bondholder I, the Convertible Bondholder I shall be 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 Bond I during the period from 30 June 2012 up to (but excluding) the Maturity Date I. The amount payable on redemption in such case is the amount which is equal to the aggregate of (i) the principal amount of the Convertible Bond I to be redeemed; and (ii) a premium equal to 8.5% per annum, compounded annually, accrued from the Issue Date I up to (but excluding) the date of redemption for such Convertible Bond I to be redeemed, calculated on the basis of a 360 days 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.

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

	<b>30 June 2012</b>	31 December 2011
Stock price	<b>HK\$0.34</b>	HK\$0.31
Exercise price	<b>HK\$0.60</b>	HK\$0.60
Volatility ( <i>Note</i> )	<b>49%</b>	49%
Dividend yield	<b>0%</b>	0%
Option life	<b>1.93 years</b>	2.43 years
Risk free rate	<b>0.28%</b>	0.32%

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

As at 30 June 2012 and 31 December 2011, principal amount of US\$15,000,000 (equivalent to approximately HK\$116,250,000) remained outstanding. As at 30 June 2012, the carrying amount of the liability component of HK\$100,101,000 (31 December 2011: HK\$87,626,000) and fair value of the derivative components of HK\$18,289,000 (31 December 2011: HK\$19,444,000) are classified as current liabilities. No conversion or redemption was noted for the six months ended 30 June 2012 and 2011.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**23. CONVERTIBLE LOAN NOTES (continued)**

**Convertible Bonds Issued in 2011**

- (b) On 11 April 2011, the Company issued a convertible bond for a principal amount of HK\$360,000,000 ("Convertible Bond II") to seven independent third parties. The maturity date of the Convertible Bond II is on 11 April 2014 ("Maturity Date II"). 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 II by the Company. Major terms of Convertible Bond II are set out in 2011 Annual Financial Statements. On 11 July 2011, a principal amount of HK\$45,000,000 was converted into 100,000,000 ordinary shares of the Company at a conversion price of HK\$0.45 per share by exercising the conversion option.

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

	<b>30 June 2012</b>	31 December 2011
Stock price	<b>HK\$0.34</b>	HK\$0.31
Exercise price	<b>HK\$0.45</b>	HK\$0.45
Volatility ( <i>Note</i> )	<b>46.15%</b>	46.00%
Dividend yield	<b>0%</b>	0%
Option life	<b>1.78 years</b>	2.27 years
Risk free rate	<b>0.25%</b>	0.43%

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

As at 30 June 2012 and 31 December 2011, principal amount of HK\$315,000,000 remained outstanding. As at 30 June 2012, the carrying amount of the liability component of HK\$253,444,000 (31 December 2011: HK\$235,812,000) and fair value of the derivative components of HK\$45,436,000 (31 December 2011: HK\$44,123,000) are classified as non-current liabilities. No conversion or redemption was noted during the six months ended 30 June 2012 and the period from 11 April 2011 to 30 June 2011.

**Convertible Bonds issued in 2008**

- (c) On 17 April 2008, the Company issued convertible loan notes with an aggregate principal amount of HK\$385,000,000 ("Convertible Notes III"). The maturity date of the Convertible Notes III is on 17 April 2011 ("Maturity Date III"). The Convertible Notes III carries 3% coupon interest per annum payable semi-annually and was redeemed at its principal amount at the Maturity Date III by the Company. The convertible loan notes equity reserve was transferred to accumulated losses upon redemption of the Convertible Notes III. Major terms of Convertible Notes III are set out in 2011 Annual Financial Statements.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**24. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1 January 2011 (audited), 30 June 2011 (unaudited), 31 December 2011 (audited) and 30 June 2012 (unaudited)	<u>4,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2011 (audited), 30 June 2011 (unaudited)	2,142,141,179	535,535
Exercise of conversion option of a convertible loan note	<u>100,000,000</u>	<u>25,000</u>
At 31 December 2011 (audited) and 30 June 2012 (unaudited)	<u>2,242,141,179</u>	<u>560,535</u>

**25. CONTINGENT LIABILITIES**

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Cross guarantee given to banks, in respect of banking facilities to a third party		
– amount that could be required to be paid if the guarantee was called upon entirely	<b>43,050</b>	55,350
– amount utilised	<u><b>43,050</b></u>	<u>50,430</u>

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



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

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FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 26. SHARE-BASED PAYMENTS

On 29 May 2012, the Company terminated the share options scheme adopted on 7 June 2002 (the "2002 Scheme") and a new share option scheme (the "2012 Scheme") which was adopted at the annual general meeting held on 25 May 2012 became effective. Under the 2012 Scheme, the Board of the Company may, subject to and in accordance with the provisions of the 2012 Scheme and the Listing Rules of 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 2012 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.

Same as the 2002 Scheme, under the 2012 Scheme, on acceptance of an offer by the grantee, 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**26. SHARE-BASED PAYMENTS (continued)**

Details of the share options outstanding under the 2002 Scheme for the six months ended 30 June 2012 are as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2012 and 30 June 2012	<u>283,518,810</u>

No share option was granted, lapsed or exercised for the six months ended 30 June 2012 and 2011 under the 2002 Scheme. Since the 2012 Scheme adopted on 25 May 2012 and became effective on 29 May 2012, no share option was granted.

**27. MAJOR NON-CASH TRANSACTIONS**

**For the six months ended 30 June 2011**

- (1) In 2010, the Group received an aggregate amount of HK\$21,200,000 from an independent third party which was included in other payables 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 Shanghai Tai Hung. The remaining balance of HK\$9,976,000 was utilised to settle the amount due from the associate of the same amount.
- (2) In 2011, the Group considered its significant influence over Success East is lost as it is no longer able to appoint a director to Success East. Success East ceased to be an associate and became available-for-sale investments of the Group. Details are set out in note 14.
- (3) In 2011, the consideration receivable from disposal of the available-for-sale investments of RMB12,166,000 (equivalent to HK\$14,599,000) and a portion of the DTV technical service fee of RMB59,834,000 (equivalent to HK\$71,801,000) were offset with the consideration payable on contract acquisition costs relating to DTV business of RMB72,000,000 (equivalent to HK\$86,400,000).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**28. RELATED PARTY TRANSACTIONS**

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

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

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

- (i) Transactions with Shougang HK Group

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Management fee paid	<b>330</b>	330
Interest expenses paid to a related company	<b>2,787</b>	–

As at 30 June 2012, the loan due to Shougang HK Group amounted to HK\$116,400,000 (31 December 2011: HK\$54,390,000).

- (ii) Transactions with Southern Yinshi

The Group entered into a cooperation arrangement with local DTV project companies, and 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 prior interim period, the Group recognised technical service fee as revenue amounting to HK\$98,747,000 which was included in the discontinued operations during the six months ended 30 June 2011.

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

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FOR THE SIX MONTHS ENDED 30 JUNE 2012

**28. RELATED PARTY TRANSACTIONS (continued)**

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

(ii) Transactions with Southern Yinshi (continued)

As described in note 9(a), the Group was no longer able to share such technical service fee since 1 January 2012. Southern Yinshi agreed to pay an amount of HK\$69,593,000 for the Provision of DTV Technical Services and Leasing of DTV Equipment for the six months ended 30 June 2012.

As at 30 June 2012, trade receivable due from Southern Yinshi amounting to approximately HK\$243,323,000 (31 December 2011: HK\$173,730,000) is included in disposal groups classified as held-for-sale in note 9.

As detailed in note 1, the Group entered into a sale agreement with Guang Hua for the disposal of DTV business, Guang Hua is wholly-owned by Mr. Kong Chunhong, who owns 70% equity interest in Guangzhou Yinshi Consultant Company Limited (廣州市銀視信息諮詢有限公司) which is one of the shareholders of the Southern Yinshi.

(iii) 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**28. RELATED PARTY TRANSACTIONS (continued)**

- (b) Transactions and balances with non-PRC government-related entities
- (i) In the second half of 2011, the Group obtained a loan from a shareholder of the Company, Mega Start Limited, which was wholly-owned by Mr. Chau Chit, a director of the Company. The outstanding balance of HK\$17,000,000 at 31 December 2011 was fully settled together with interest expenses of HK\$33,000 in the current interim period.
- (ii) The following guarantee was provided to banks to secure general banking facilities granted to the Group:

Guarantor	Relationship	Type of guarantee	Guarantee amount	
			30 June 2012 HK\$'000	31 December 2011 HK\$'000
Mr. Chau Chit	Director of the Company	Personal guarantee	-	24,600

- (iii) Compensation of key management personnel

The remuneration of key management members, who are the executive directors of the Group during the interim periods, is as follows:

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Short term benefits	2,388	2,388
Post-employment benefits	120	120
	<b>2,508</b>	<b>2,508</b>

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

## 德勤

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

首長科技集團有限公司

*(incorporated in Hong Kong with limited liability)*

### Introduction

We have reviewed the condensed consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on page 4 to 52, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

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

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

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### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 August 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Turnover from continuing operations for the six months ended 30 June 2012 amounted to HK\$103.3 million (six months ended 30 June 2011: HK\$106.7 million (restated)). Loss attributable to the owners of the Company for the period amounted to HK\$143.8 million (six months ended 30 June 2011: HK\$51.6 million), analyzed as follow:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	<i>HK\$'000</i>
		(restated)
Loss from continuing operations	<b>(85,809)</b>	(62,583)
Profit from discontinued digital television business operations	–	10,936
Loss from photomask operations disposed in 2009	<b>(57,990)</b>	–
	<hr/>	<hr/>
Loss attributable to the owners of the Company for the period	<b>(143,799)</b>	(51,647)
	<hr/> <hr/>	<hr/> <hr/>

The loss from photomask operations of HK\$58.0 million was in connection with delivery of photomask machinery pursuant to the agreement entered into by the Group, and announced by the Company on 27 April 2009 for disposal of Remarkable Mask Technology Company Limited.

Basic (loss) earning per share of the Group are as follows:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK cents</b>	<i>HK cents</i>
		(restated)
Basic loss per share from continuing operations	<b>(3.83)</b>	(2.92)
Basic (loss) earning per share from discontinued operations	<b>(2.58)</b>	0.51
	<hr/>	<hr/>
Basic loss per share from continuing and discontinued operations of the Group	<b>(6.41)</b>	(2.41)
	<hr/> <hr/>	<hr/> <hr/>



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### BUSINESS REVIEW (continued)

As at 30 June 2012, the Group's equity attributable to the owners of the Company amounted to HK\$1,061.9 million, representing a decrease of HK\$143.8 million over the figure as at 31 December 2011 of HK\$1,205.7 million. The net assets value per share attributable to the owners of the Company as at 30 June 2012 was HK\$0.47 (31 December 2011: HK\$0.54).

### SEGMENT INFORMATION

#### Digital Television Business Services

The digital television business of the Group was classified as discontinued operation in 2011, so the Group did not recognize technical service fee income (six months ended 30 June 2011: HK\$98.7 million) and profit from related business (six months ended 30 June 2011: HK\$10.9 million) in the period.

The disposal of digital television business is expected to be completed within 2012. After the completion of the disposal, the Company's remaining business would be intelligent information business. 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.

#### Intelligent Information Business

Intelligent information business represents the development and provision of system integration solutions, system design and sales of system hardware. The intelligent information business has continued to generate a stable return for the Group. The turnover and operating loss of the intelligent information business during the period amounted to HK\$99.5 million (six months ended 30 June 2011: HK\$100.5 million) and HK\$8.4 million (six months ended 30 June 2011: operating profit of HK\$13.6 million) respectively. During the period, the Group undertook a number of large-scale intelligent building projects to develop its business, and the business is expected to post a sustainable growth in the long run.

During the previous year, the Group invested HK\$1.8 million for the 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### SEGMENT INFORMATION (continued)

#### Others

It represents the provision of management services, leasing of investment properties and sales of light emitted diode products. During the period, the turnover and operating loss amounted to HK\$3.9 million (six months ended 30 June 2011: HK\$6.2 million (restated)) and HK\$12.0 million (six months ended 30 June 2011: HK\$10.3 million (restated)) respectively.

### PROSPECT

Through the resources integration after the disposal of digital television business, the Group will redeploy resources in intelligent information business. The Group will also actively explore new businesses for investments and development to maximize return to shareholders in the future.

### LIQUIDITY AND FINANCIAL RESOURCES

The financial leverage of the Group as at 30 June 2012, as compared to 31 December 2011 is summarized below:

	As at	
	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Total debt		
– from bank	408,524	516,111
– from convertible loan notes	353,545	323,438
– from a related company, a shareholder and a third party	<b>116,400</b>	93,530
Sub-total	<b>878,469</b>	933,079
Pledged bank deposits	<b>(270,699)</b>	(333,106)
Cash and bank deposits	<b>(94,119)</b>	(118,870)
Net debt	<b>513,651</b>	481,103
Total capital (equity and total debt)	<b>1,940,352</b>	2,138,761
Total assets	<b>2,850,409</b>	3,080,299
Financial leverage		
– net debt to total capital	<b>26.5%</b>	22.5%
– net debt to total assets	<b>18.0%</b>	15.6%

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### FINANCING ACTIVITIES

During the period, the Group has raised new borrowings of HK\$484.3 million from banks and a related company of HK\$367.9 million and HK\$116.4 million respectively, to provide working capital for the Group.

### CAPITAL STRUCTURE

As at 30 June 2012, the number of shares in issue and issued share capital of the Company were 2,242,141,179 (31 December 2011: 2,242,141,179) and approximately HK\$560.5 million (31 December 2011: HK\$560.5 million) respectively.

### CHARGE ON ASSETS

As at 30 June 2012, assets pledged to banks to secure banking facilities (including bank borrowings and bills payables) granted to the Group are as follow:

	<b>30 June 2012 HK\$'000</b>	31 December 2011 HK\$'000
Investment properties	<b>40,794</b>	40,794
Buildings	<b>11,160</b>	11,160
Bank deposits	<b>277,921</b>	341,390
Bills receivables	<b>7,257</b>	2,460
Totals	<b>337,132</b>	395,804

As at 30 June 2012, among assets pledged, investment properties of HK\$40.8 million (31 December 2011: HK\$40.8 million), buildings of HK\$11.2 million (31 December 2011: HK\$11.2 million), and pledged bank deposits of HK\$7.2 million (31 December 2011: HK\$8.3 million) were classified as disposal group held-for-sale.

### FOREIGN EXCHANGE EXPOSURE

The ordinary operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The operation results of the Group may be affected by the volatility of Renminbi. The Group will review its foreign exchange exposure regularly and may consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 30 June 2012, there were no derivative financial instruments employed by the Group.

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

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### **MATERIAL ACQUISITION, DISPOSALS, SIGNIFICANT INVESTMENT AND FUTURE PLANS OF MATERIAL INVESTMENT**

During the period, the Group completed the disposal of its entire interest in Santai Electronics Limited and Aberdeen Investments Limited at a total consideration of RMB53 million, and the relevant disposal consideration was fully received during the period. Santai Electronics Limited and Aberdeen Investments Limited are principally engaged in property investment. 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.

Moreover, the Group has entered into a sales agreement with a purchaser on 23 December 2011, to dispose of the digital television business of the Group, which is expected to be completed within 2012. Upon completion of the disposal, the remaining business of the Company will be development and provision of system integration solutions, system design and sales 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.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2012.

### **CONTINGENT LIABILITIES**

As at 30 June 2012, the contingent liabilities of the Group were arisen from cross guarantees given by a subsidiary of RMB35 million (31 December 2011: RMB45 million) for credit facilities granted to a third party, and the amount utilized was RMB35 million (31 December 2011: RMB41 million).

### **EMPLOYEES AND REMUNERATION POLICIES**

The Group had a total of 326 employees as at 30 June 2012.

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

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2012 (2011: Nil).

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

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

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

The Directors of the Company who held office at 30 June 2012 had the following interests in the shares and underlying shares of the Company as at 30 June 2012 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

Name of Director	Capacity in which interests were held	Number of shares/ underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2012
		Interests in shares	Interests in underlying shares	Total interests	
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 <sup>a</sup>	236,614,000	10.55%
Chau Chit	Beneficial owner, interests of a controlled corporation	316,598,000 <sup>#</sup>	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%
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 "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares of HK\$0.25 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*
- △ *Mr. 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 30 June 2012) that as at 10 November 2011, his interests in underlying shares included 21,000,000 share options granted under the 2002 Scheme and 100,000,000 ordinary shares of the Company which are issuable upon conversion of the convertible bonds due 2014 issued by the Company with a principal amount of HK\$45,000,000. Those convertible bonds were held by China Review Property Group Limited, a company wholly-owned by Mr. Mung Kin Keung.*
- # *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 30 June 2012) 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 30 June 2012, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2012.

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

As at 30 June 2012, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

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

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2012	Note(s)
		Interests in shares	Interests in underlying shares	Total interests		
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			Total interests	Total interests as to % of the issued share capital of the Company as at 30.06.2012	Note(s)
		Interests in shares	Interests in underlying shares				
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)

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### 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 30 June 2012) 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 30 June 2012) 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 30 June 2012) that as at 11 July 2011, its interests included the interest held by ST Electronics which was a wholly-owned subsidiary of ST Engineering.

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

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

*Notes: (continued)*

- 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 30 June 2012, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTIONS

On 7 June 2002, the 2002 Scheme was adopted by the shareholders of the Company. No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2012. Details of movements in the share options under the 2002 Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company				Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	At the end of the period			
<b>Directors of the Company</b>							
Li Shaofeng	21,000,000	-	-	21,000,000	14.12.2010	14.12.2010 - 13.12.2020	HK\$0.420
	21,000,000	-	-	21,000,000			
Mung Kin Keung	10,000,000	-	-	10,000,000	16.12.2009	16.12.2009 - 15.12.2019	HK\$0.596
	11,000,000	-	-	11,000,000	14.12.2010	14.12.2010 - 13.12.2020	HK\$0.420
	21,000,000	-	-	21,000,000			
Chau Chit	10,000,000	-	-	10,000,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
	8,750,000	-	-	8,750,000	16.12.2009	16.12.2009 - 15.12.2019	HK\$0.596
	3,000,000	-	-	3,000,000	14.12.2010	14.12.2010 - 13.12.2020	HK\$0.420
	21,750,000	-	-	21,750,000			
Leung Shun Sang, Tony	4,816,000	-	-	4,816,000	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580
	3,200,000	-	-	3,200,000	14.03.2003	14.03.2003 - 13.03.2013	HK\$0.495
	423,810	-	-	423,810	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406
	15,000,000	-	-	15,000,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
23,439,810	-	-	23,439,810				
Chan Wah Tip, Michael	400,000	(400,000)*	-	-	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580
	1,714,000	(1,714,000)*	-	-	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.406
	1,800,000	(1,800,000)*	-	-	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.780
	3,914,000	(3,914,000)	-	-			

## SHARE OPTIONS (continued)

Category or name of grantees	Options to subscribe for shares of the Company				Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	At the end of the period			
<b>Directors of the Company (continued)</b>							
Lee Fook Sun	1,800,000	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	1,800,000	-	-	1,800,000			
Wong Kun Kim	1,714,000	-	-	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	1,800,000	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	3,514,000	-	-	3,514,000			
Leung Kai Cheung	1,800,000	-	-	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	1,800,000	-	-	1,800,000			
	98,217,810	(3,914,000)	-	94,303,810			
<b>Employees of the Group</b>	4,000,000	-	-	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	79,000,000	-	-	79,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	83,000,000	-	-	83,000,000			
<b>Other participants</b>	40,130,000	-	400,000*	40,530,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	14,069,000	-	-	14,069,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	11,982,000	-	-	11,982,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	8,720,000	-	1,714,000*	10,434,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	27,400,000	-	1,800,000*	29,200,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	102,301,000	-	3,914,000	106,215,000			
283,518,810	(3,914,000)	3,914,000	283,518,810				

### SHARE OPTIONS (continued)

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- \* *Mr. Chan Wah Tip, Michael resigned as a Director of the Company on 1 January 2012. The Board approved that the share options held by Mr. Chan remain exercisable up to the original expiry date and such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.*

On 25 May 2012, a new share option scheme (the "2012 Scheme") was adopted by the shareholders of the Company, which was conditional upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme (the "Listing Approval"). The Listing Approval was granted on 29 May 2012. Accordingly, the 2012 Scheme became effective on 29 May 2012. The 2002 Scheme was terminated from the date on which the 2012 Scheme became effective. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme. No share options have been granted under the 2012 Scheme.

### AUDIT COMMITTEE

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The Company has engaged the Auditor to assist the Audit Committee to review the 2012 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 21 August 2012 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2012.

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

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The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Listing Rules was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012. The Company has complied with the code provisions of the Former Code during the period from 1 January 2012 to 31 March 2012 and the Revised Code during the period from 1 April 2012 to 30 June 2012, except for the following deviation:

- Under code provision A.6.7 of the Revised Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE (continued)**

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One non-executive director and two of the independent non-executive directors of the Company attended the annual general meeting of the Company held on 25 May 2012 (the "Meeting"). One out of the two non-executive directors and one out of the three independent non-executive directors of the Company did not attend the Meeting due to other business engagements. The Company considers that the non-executive director and the independent non-executive directors in attendance at the Meeting were already of sufficient number and calibre of forming a balanced understanding of the views of the shareholders of the Company.

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

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The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2012.

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

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The followings are the changes in the information of Directors since the date of the 2011 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Li Shaofeng, the Chairman of the Company, has acted as a member and served as the chairman of the Nomination Committee of the Company with effect from 1 April 2012.
- (b) Mr. Mung Kin Keung, the Vice Chairman of the Company, ceased to act as the chairman and a member of the Nomination Committee of the Company with effect from 1 April 2012.
- (c) Mr. Leung Shun Sang, Tony, a Non-executive Director of the Company, ceased to serve as the chairman of the Remuneration Committee with effect from 1 April 2012 but remains a member of the Remuneration Committee of the Company.
- (d) Mr. Leung Kai Cheung, an Independent Non-executive of the Company, has served as the chairman of the Remuneration Committee of the Company with effect from 1 April 2012.

## APPRECIATION

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

By Order of the Board  
**Li Shaofeng**  
*Chairman*

Hong Kong, 28 August 2012