SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

Stock Code : 521

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Shaofeng *(Chairman)*
Mung Kin Keung *(Vice Chairman)*
Chau Chit *(Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Lu Yeow Leong *(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

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

Units 2606A–2608, 26th Floor
Island Place Tower
510 King's Road
North Point, Hong Kong

STOCK CODE

521

WEBSITE

www.shougang-tech.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Li Shaofeng, aged 46, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Chairman of the Company in May 2010 and is the chairman of the Nomination Committee and a member of each of the Executive Committee and the Investment Committee of the Company. He joined Shougang Corporation, the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), in 1989 and is the vice chairman and managing director of Shougang Holding and a director of each of Asset Resort Holdings Limited ("Asset Resort") and Wheeling Holdings Limited ("Wheeling"). Each of Shougang Holding, Asset Resort and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Li is the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International") and the chairman of each of Shougang Fushan Resources Group Limited ("Shougang Resources"), Shougang Concord Grand (Group) Limited ("Shougang Grand"), Global Digital Creations Holdings Limited ("GDC") and Shougang Concord Century Holdings Limited ("Shougang Century"). He is also a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li is a non-executive director of Mount Gibson Iron Limited ("Mount Gibson"), a company listed on the Australian Securities Exchange, and was an alternate director to Mr. Cao Zhong, an ex-director of Mount Gibson, from November 2011 to February 2012. He has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the board of directors of the Company (the "Board") from time to time. For the financial year ended 31 December 2012, Mr. Li's monthly salary is HK$200,000. Such salary was determined with reference to Mr. Li's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Mung Kin Keung, aged 52, holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. Mr. Mung was appointed an Executive Director of the Company in February 2009 and the Vice Chairman of the Company in May 2010 and is the chairman of the Investment Committee and a member of each of the Executive Committee and the Remuneration Committee of the Company. He is a director and the sole shareholder of China Review Property Group Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Mung is the chairman and an executive director of Mastermind Capital Limited ("Mastermind Capital"). He was also an executive director of Hong Kong Resources Holdings Company Limited ("Hong Kong Resources") from October 2008 to November 2012. Both Mastermind Capital and Hong Kong Resources are listed companies in Hong Kong. Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has extensive experience in areas of business management, strategic planning and development.

A service contract was entered into between Mr. Mung and the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Mung is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2012, Mr. Mung's monthly salary is HK$200,000. Such salary was determined with reference to Mr. Mung's experience and duties as well as the then prevailing market conditions.

Mr. Chau Chit, aged 47, graduated from Zhejiang University. Mr. Chau was appointed an Executive Director of the Company in June 2006 and is currently the Managing Director, the chairman of the Executive Committee and a member of the Investment Committee of the Company. Mr. Chau is a director and the sole shareholder of Mega Start Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

A service contract was entered into between Mr. Chau and the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Chau is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2012, Mr. Chau's monthly salary is HK$200,000. Such salary was determined with reference to Mr. Chau's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Leung Shun Sang, Tony, aged 70, holds a bachelor degree of commerce from The Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in April 1993 and is a member of each of the Nomination Committee, the Remuneration Committee and the Investment Committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Resources, Shougang Century, Shougang Grand and GDC. Mr. Leung had worked in Citibank N.A. and W.I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has over 40 years of experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Mr. Leung is HK$190,000. For the financial year ending 31 December 2013, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Lu Yeow Leong, aged 52, graduated from the National University of Singapore with a Bachelor of Engineering (Honours) and a Master of Science degree. Mr. Lu was appointed a Non-executive Director of the Company in September 2012. He is currently the vice president of international business and previously the chief technology officer of Singapore Technologies Electronics Limited. Mr. Lu has extensive engineering knowledge and working experience in technology development and investment.

An engagement letter was entered into with Mr. Lu with a term commencing on 28 September 2012 and expiring on 31 December 2013. Under the engagement letter, Mr. Lu is entitled to a director's fee as may be determined by the Board from time to time. For the period from 28 September 2012 (the date of appointment of Mr. Lu as a Non-executive Director of the Company) to 31 December 2012, the director's fee of Mr. Lu is HK$38,750 which was based on the director's fee of HK$150,000 for a full year and was paid in proportion to Mr. Lu's actual length of services. For the financial year ending 31 December 2013, the director's fee of Mr. Lu will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Lu. Such director's fees were determined with reference to Mr. Lu's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Wong Kun Kim, aged 68, holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Wong is licensed as a responsible officer of each of Asia Investment Management Limited and Asia Investment Research Limited under the SFO. He has over 35 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. Mr. Wong had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America and was an independent non-executive director of Sunway International Holdings Limited from September 2002 to February 2013.

An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Mr. Wong is HK$240,000. For the financial year ending 31 December 2013, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

Mr. Leung Kai Cheung, aged 67, graduated from the Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Investment Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Leung had been a senior executive of Citibank, N.A. and the general manager of Barclays Bank PLC in charge of Kowloon and New Territories district. He is currently the chairman of Star International Enterprises Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Mr. Leung is HK$240,000. For the financial year ending 31 December 2013, the director's fee of Mr. Leung will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

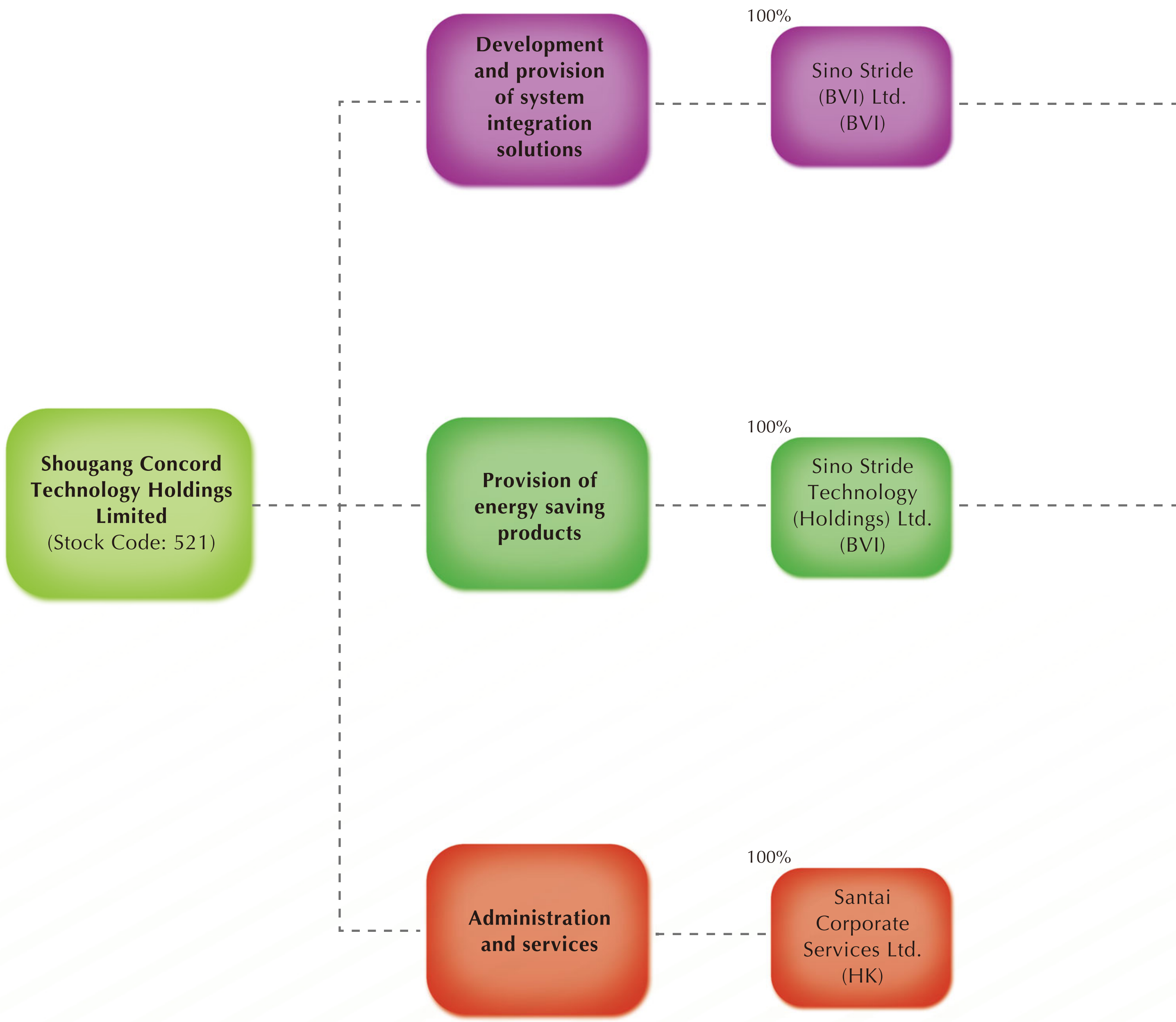
DIRECTORS' BIOGRAPHIES

Mr. Wong Wai Kwan, aged 45, holds a bachelor degree in accountancy from City University of Hong Kong and a master degree in business administration from Washington University in St. Louis, U.S.A. Mr. Wong was appointed an Independent Non-executive Director of the Company in June 2010 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Currently, Mr. Wong is the general manager of the internal audit department of Fosun International Limited, a Hong Kong listed company. Mr. Wong has extensive working experience in the audit and consulting areas, particularly in IPO, risk management and merger and acquisition.

An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Mr. Wong is HK$240,000. For the financial year ending 31 December 2013, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

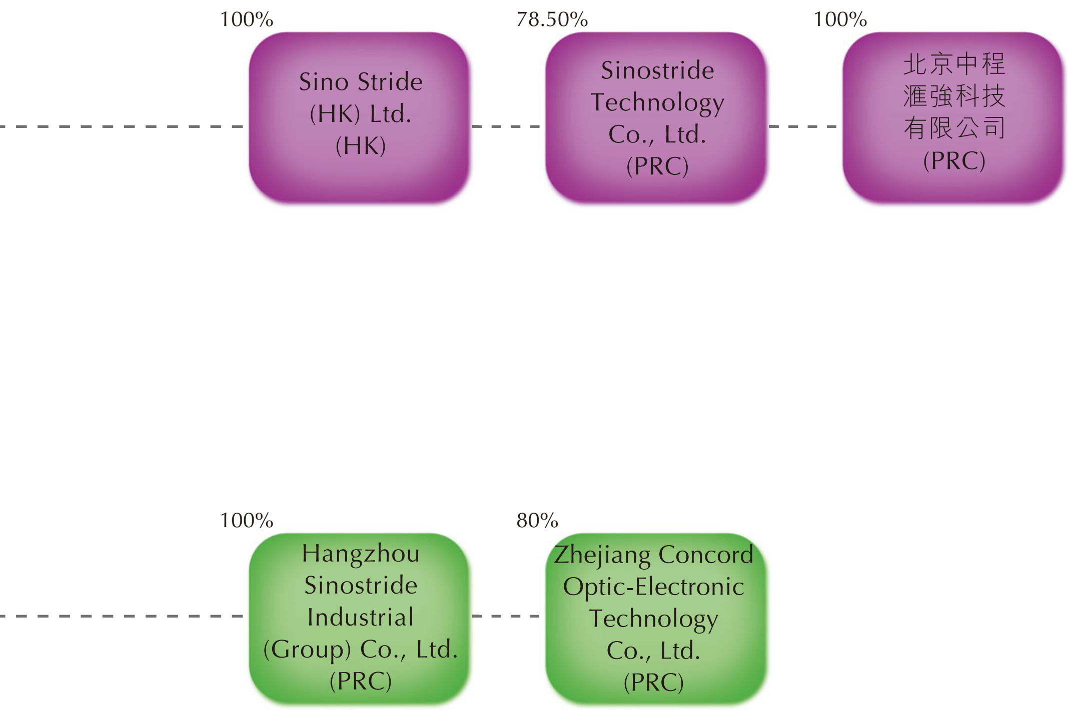
MAIN OPERATIONAL STRUCTURE

As at 31 December 2012



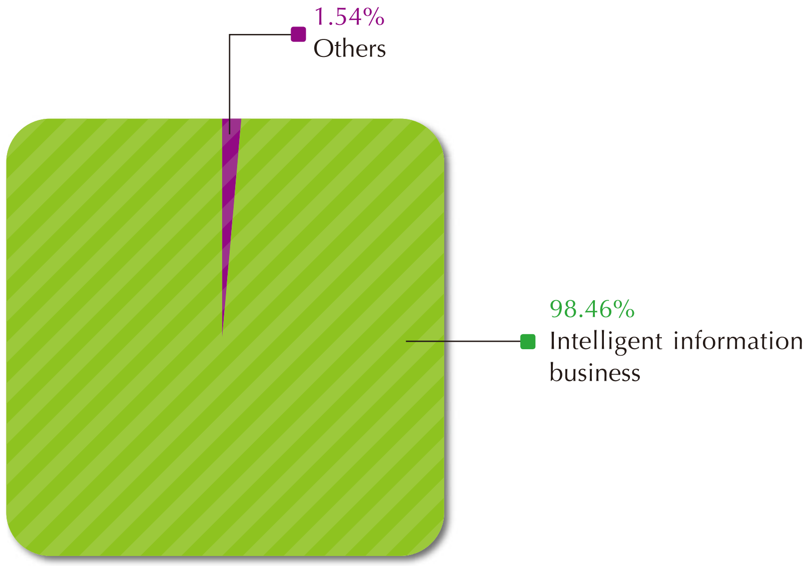
MAIN OPERATIONAL STRUCTURE

As at 31 December 2012

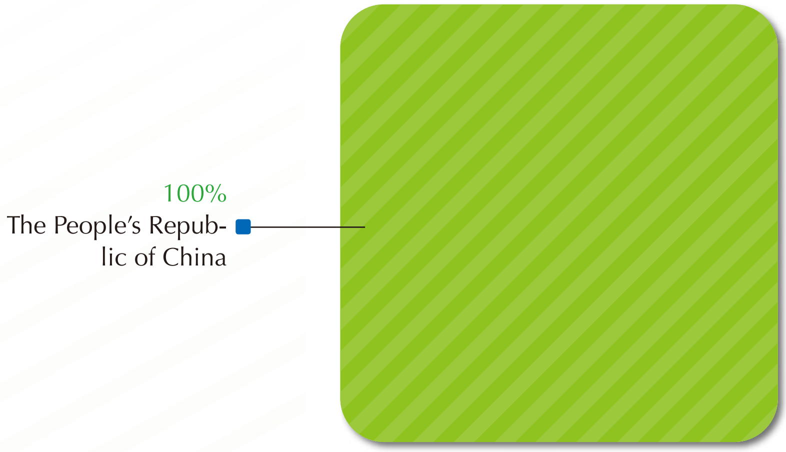


FINANCIAL HIGHLIGHTS

TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2012



TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2012



FINANCIAL HIGHLIGHTS

TURNOVER (in HK$'000)

TOTAL ASSETS (in HK$'000)

CHAIRMAN'S STATEMENT

In 2012, the Group's continuing operations recorded an increase in sales turnover due to an improvement in the progress of the projects of the Group's intelligent information business as compared to last year. However, there was a remarkable increase in loss as the Group implemented more stringent control over provision for assets and tax recognition policy leading to greater amount of provisions in relation to assets and taxes in the accounts. In addition, since the Group's disposal transaction of digital television business was yet to be completed, income from technical service fees was no longer recognized for the year and income from providing digital television equipment was recognized instead. The relevant income was significantly lower than the technical service fees of last year and could not offset the related expenses of this year.

Currently, the Group's principal operations comprise the development and provision of system integration solution services, design of system and sale of system hardware. With the sustained growth of the economy in China and the long-term development of real estate, the market demand for system integration solution services is expected to increase continuously, thus driving the development of the whole industry. Moreover, the Chinese government has promulgated stricter rules to regulate the system integration solution industry in recent years, as a result of which, higher standards are imposed on the operators in the industry. However, since the Group has been recognized as a "first-class" system integration solution operator, such higher standards imposed by the government on the industry will be favorable for the Group to develop this business in the market.

In addition, after the disposal of the interest in the digital television business, the Company intends to actively strive for investment opportunities, develop new businesses and increase the income source, so as to provide the shareholders with a stable and better return incessantly.

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

Li Shaofeng
Chairman

Hong Kong, 27 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover from continuing operations for the year ended 31 December 2012 amounted to HK$309.3 million (31 December 2011: HK$282.7 million). The increase in turnover was mainly attributable to the improvement in the progress of projects under the intelligent information business in the year compared to the previous years.

Loss attributable to the owners of the Company for the year amounted to HK$379.6 million (31 December 2011: HK$148.6 million), analyzed as follows:

	2012 **HK$'000**	2011 HK$'000 (restated)
Loss from continuing operations	**254,276**	144,612
Loss (profit) from discontinued operations		
– digital television business	**67,362**	(7,415)
– photomask business	**57,990**	11,445
	125,352	4,030
Loss attributable to the owners of the Company for the year	**379,628**	148,642

Basic loss per share of the Group is summarized as follows:

	2012 **HK cents**	2011 HK cents (restated)
Basic loss per share from continuing operations	**11.11**	6.60
Basic loss per share from discontinued operations	**5.48**	0.19
Basic loss per share from continuing and discontinued operations of the Group	**16.59**	6.79

As at 31 December 2012, the Group's equity attributable to the owners of the Company amounted to HK$1,077.9 million, representing a decrease of HK$127.8 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 31 December 2012 was HK$0.40 (31 December 2011: HK$0.54).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue, cost of sales and gross profit from continuing operations

Revenue from continuing operations for the year increased by HK$26.6 million (9%) compared to prior year, which is mainly attributable to the increase in revenue from intelligent information business with further details disclosed in "SEGMENT INFORMATION" below. However, cost of sales from continuing operations for the year increased by HK$41.4 million (19%) with a larger extent of increase compared to revenue. This resulted in a drop of gross profit ratio from 21% in prior year to 14% in current year. The decrease in gross profit ratio is mainly attributable to greater amount of sales tax provision made in 2012 under the Group's more stringent financial control measures this year.

Loss for the year from continuing operations attributable to the owners of the Company

Loss for the year from continuing operations attributable to the owners of the Company increased by HK$109.7 million (76%) compared to prior year. The main reason for the significant increase in loss is due to the difference in fair value change of the derivative components of convertible loan notes of HK$131.7 million (2012: fair value gain HK$68.5 million, 2011: fair value loss HK$63.2 million) between the year of 2012 and 2011.

Loss for the year from discontinued operations attributable to the owners of the Company

Loss for the year from discontinued operations attributable to the owners of the Company increased by HK$121.3 million (3010%) compared to prior year. The increase in loss is attributable to the increase in loss derived from digital television business of HK$74.8 million and increase in loss derived from photomask business of HK$46.5 million.

The increase in loss derived from digital television business is mainly due to the Group only charged income to Guangdong Southern Yinshi Network Media Company Limited for the first half year of 2012, while no income was charged subsequent to 30 June 2012. Please refer to further details disclosed in Note 14(a) of the consolidated financial statements.

The increase in loss derived from photomask business mainly due to more provision made during 2012 in connection with delivery of photomask machinery upon the finalization and issuance of relevant equipment's inspection reports in 2012. Please refer to further details disclosed in Note 14(b) of the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

Intelligent information business

Intelligent information business refers to the development and provision of system integration solutions, system design and sale of system hardware. The turnover and operating losses for the year arising from intelligent information business reached HK$304.6 million (2011: HK$273.9 million) and HK$36.9 million (2011: HK$94.7 million (restated)), respectively. The increase in turnover was mainly attributable to the improvement in the progress of projects in the year compared to the previous years. During the year, 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.

Digital television business services

In the year, the turnover and total loss from digital television business amounted to HK$69.5 million (2011: HK$214.4 million) and HK$67.4 million (2011: profit HK$7.4 million (restated)). The main reason for the significant decline in the turnover and the soaring increase in the loss was that the digital television business had already been reclassified as discontinued business during 2011. Therefore, in the current year, the Group would recognize the revenue from the provision of digital television equipment instead of technical service fees. However, the related revenue decreased sharply for the year compared to the previous years and could not offset the related expenses of current year.

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

Others

It represents the provision of management services and the sale of light emitted diode products and other products. In the year, the turnover and operating losses were HK$4.8 million (2011: HK$8.8 million) and HK$4.1 million (2011: HK$9.3 million (restated)), respectively.

PROSPECT

Through 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 31 December 2012, as compared to 31 December 2011 is summarized below:

	As at 31 December 2012 HK$'000	31 December 2011 HK$'000
Total debt		
– from bank	**421,915**	516,111
– from convertible loan notes	**212,203**	323,438
– from a related company, a shareholder and a third party	**–**	93,530
Sub-total	**634,118**	933,079
Pledged bank deposits	**(292,864)**	(333,106)
Cash and bank deposits	**(13,362)**	(118,870)
Net debt	**327,892**	481,103
Total capital (equity and total debt)	**1,711,998**	2,138,761
Total assets	**2,548,311**	3,080,299
Financial leverage		
– net debt to total capital	**19.2%**	22.5%
– net debt to total assets	**12.9%**	15.6%

FINANCING ACTIVITIES

During the year, the Group has raised new borrowings of HK$632.3 million from banks and a related company of HK$515.9 million and HK$116.4 million respectively, to provide working capital for the Group.

CAPITAL STRUCTURE

During the year, the Group issued 450,000,000 ordinary shares and the issued share capital amounted to HK$112.5 million. As at 31 December 2012, the number of shares in issue and issued share capital of the Company were 2,692,141,179 (31 December 2011: 2,242,141,179) and approximately HK$673.0 million (31 December 2011: HK$560.5 million) respectively.

CHARGE ON ASSETS

As at 31 December 2012, assets pledged to banks to secure banking facilities (including bank borrowings and bills payables) granted to the Group are as follow:

	31 December 2012 HK$'000	31 December 2011 HK$'000
Investment properties	**45,453**	40,794
Buildings	**10,903**	11,160
Bank deposits	**293,053**	341,390
Bills receivables	**–**	2,460
Totals	**349,409**	395,804

As at 31 December 2012, among assets pledged, investment properties of HK$45.5 million (31 December 2011: HK$40.8 million), buildings of HK$10.9 million (31 December 2011: HK$11.2 million), and pledged bank deposits of HK$0.2 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 31 December 2012, there were no derivative financial instruments employed by the Group.

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

During the year, 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 year. Santai Electronics Limited and Aberdeen Investments Limited are principally engaged in property investment. The disposal 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.

In addition, in December 2012, the Group completed the disposal of its entire interest in Zhejiang Sinostride Energy Saving Technology Co. Limited at a total consideration of RMB6 million with a gain on disposal of HK$8.0 million recognized in the accounts.

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. 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 year ended 31 December 2012.

CONTINGENT LIABILITIES

As at 31 December 2012, the contingent liabilities of the Group were arisen from guarantees of HK$148.6 million (31 December 2011: HK$55.4 million) for credit facilities granted to third parties, and the amount utilized was HK$104.2 million (31 December 2011: HK$50.4 million).

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 290 employees as at 31 December 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.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012 (collectively, the "CG Code"). 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 31 December 2012, except for the following deviation:

– Under the second part of 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.

  One Non-executive Director and one Independent Non-executive Director of the Company did not attend the annual general meeting of the Company held on 25 May 2012 (the "2012 AGM") due to their other business engagements. The Company considers that the Non-executive Director and the Independent Non-executive Directors in attendance at the 2012 AGM were already of sufficient number and calibre of forming a balanced understanding of the views of the shareholders of the Company. Details of the Directors' attendances at the 2012 AGM are set out on page 38 of this report.

BOARD OF DIRECTORS

Composition

The Board currently comprises a total of eight Directors, being three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

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

The Directors give sufficient time and attention to the affairs of the Company and its subsidiaries (the "Group"). All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

BOARD OF DIRECTORS (continued)

Composition (continued)

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

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

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

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

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

Role and function of the Board and the management

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

BOARD OF DIRECTORS (continued)

Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon request, provide separate independent professional advice to Directors to assist them perform their duties to the Company.

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

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution.

Except for those circumstances permitted by the Articles and all applicable laws, rules and regulations, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration must abstain from voting on the relevant resolution and such Director shall not be counted for quorum.

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2012, the Directors have made active contribution to the affairs of the Group and five physical Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of the Directors' attendances in 2012 are as follows:

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Li Shaofeng *(Chairman)*	5/5
Mung Kin Keung	5/5
Chau Chit	5/5
Non-executive Directors	
Leung Shun Sang, Tony	5/5
Lu Yeow Leong *(appointed on 28 September 2012)*	2/2
Lee Fook Sun *(resigned on 28 September 2012)*	1/3
Independent Non-executive Directors	
Wong Kun Kim	5/5
Leung Kai Cheung	5/5
Wong Wai Kwan	5/5

Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

BOARD OF DIRECTORS (continued)

Appointment and re-election of Directors

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

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

All Directors (including all Non-executive Directors) have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

Independent Non-executive Directors

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

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents more than one-third of the Board.

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

Any re-election of an independent non-executive director who has served the board for more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Directors' and officers' liability

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

Directors' training and professional development

Every newly appointed Director will be given an introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors.

BOARD OF DIRECTORS (continued)

Directors' training and professional development (continued)

In December 2012, the Company organized, at the cost of the Company, an in-house training session for the Directors on the following topics:

- disclosure obligations of listed corporations regarding insider information; and
- update on directors' roles and responsibilities in relation to the Revised Code and the Listing Rules.

All Directors have provided to the Company their records of training received during the period from 1 April 2012 (being the date of the Revised Code became effective) to 31 December 2012, a summary of which is as follows:

	Continuous professional development	
Directors	**Type** (Note I)	**Subject** (Note II)
Li Shaofeng	A, B	1
Mung Kin Keung	B	1
Chau Chit	B	1
	D	3
Leung Shun Sang, Tony	A, B	1
Lee Fook Sun	B	1
Lu Yeow Leong	B	1
Wong Kun Kim	A	1, 2, 4
	B	1
Leung Kai Cheung	A, B	1
Wong Wai Kwan	A	3
	B	1
	C	3

Note I:

A: Attending seminars, conferences, forums, in-house briefings or in-house training

B: Reading newspapers, journals and updates

C: Giving talks at seminars, conferences or forums

D: Others

Note II:

1: Laws, rules and regulations

2: Finance, accounting or taxation

3: Management

4: Businesses relating to the Company

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Li Shaofeng is the Chairman and Mr. Chau Chit serves as the Managing Director of the Company. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its responsibility. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

In performing the role of Chairman, Mr. Li Shaofeng's responsibilities include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;

- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;

- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;

- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;

- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and

- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

During the year, the Chairman met with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors.

BOARD COMMITTEES

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

Executive Committee

An Executive Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

BOARD COMMITTEES (continued)

Executive Committee (continued)

The Executive Committee comprises all Executive Directors of the Company.

During the year, twenty physical meetings of the Executive Committee were held. Amongst those meetings, one meeting was held for the purpose of performing the corporate governance duties. The attendances of the members of the Executive Committee at that meeting are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Chau Chit *(chairman of the committee)*	1/1
Li Shaofeng	1/1
Mung Kin Keung	1/1

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year included, amongst other things, the following:

- reviewing the Company's policies and practices on corporate governance and making recommendations to the Board to adopt the procedures for directors to seek independent professional advice; and
- reviewing the Company's compliance with the CG Code.

Audit Committee

An Audit Committee of the Board was established in December 1998 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

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

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements;
- reviewing the Company's financial reporting system and internal control procedures; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

BOARD COMMITTEES (continued)

Audit Committee (continued)

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

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprised all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Wong Kun Kim *(chairman of the committee)*	2/2
Leung Kai Cheung	2/2
Wong Wai Kwan	2/2

The major work performed by the Audit Committee during the year included, amongst other things, the following:

- reviewing the final results of the Group for the financial year ended 31 December 2011; and
- reviewing the interim results of the Group for the six months ended 30 June 2012.

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

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

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

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

- assessing the independence of Independent Non-executive Directors.

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

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

During the year, one physical meeting of the Nomination Committee was held and the attendances of the members of the Nomination Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)* *(appointed as a member and the chairman of the committee on 1 April 2012)*	1/1
Mung Kin Keung *(ceased to act as the chairman and a member from 1 April 2012)*	0/0
Leung Shun Sang, Tony	1/1
Wong Kun Kim	1/1
Leung Kai Cheung	1/1
Wong Wai Kwan	1/1

The major work performed by the Nomination Committee during the year included, amongst other things, the following:

- considering and making recommendations to the Board for the appointment of Mr. Lu Yeow Leong as a Non-executive Director of the Company; and

- reviewing the structure of the Board.

BOARD COMMITTEES (continued)

Remuneration Committee

A Remuneration Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;
- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

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

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the year, one physical meeting of the Remuneration Committee was held and the attendances of the members of the Remuneration Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Leung Kai Cheung *(chairman of the committee)* *(served as the chairman of the committee from 1 April 2012)*	1/1
Mung Kin Keung	1/1
Leung Shun Sang, Tony *(ceased to act as the chairman from 1 April 2012)*	1/1
Wong Kun Kim	1/1
Wong Wai Kwan	1/1

The major work performed by the Remuneration Committee during the year included, amongst other things, the following:

- making recommendations to the Board on the terms of the engagement letter and director's fee of Mr. Lu Yeow Leong;
- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the year 2013;
- considering the bonuses of the Executive Directors of the Company for the year 2012; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2013.

Details of remuneration paid to Directors and senior management for the year are set out in note 15 to the consolidated financial statements.

BOARD COMMITTEES (continued)

Investment Committee

An Investment Committee of the Board was established in July 2009 with specific written terms of reference which deal clearly with its authorities and duties.

Pursuant to the terms of reference, the Investment Committee comprises all Executive Directors and two Non-executive Directors of the Company (amongst the two Non-executive Directors, at least one must be an Independent Non-executive Director).

During the year, one physical meeting of the Investment Committee was held and the attendances of the members of the Investment Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Mung Kin Keung *(chairman of the committee)*	1/1
Li Shaofeng	1/1
Chau Chit	1/1
Leung Shun Sang, Tony	1/1
Leung Kai Cheung	1/1

The major work performed by the Investment Committee during the year was to consider various projects contemplated by the Group.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

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

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

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

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

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

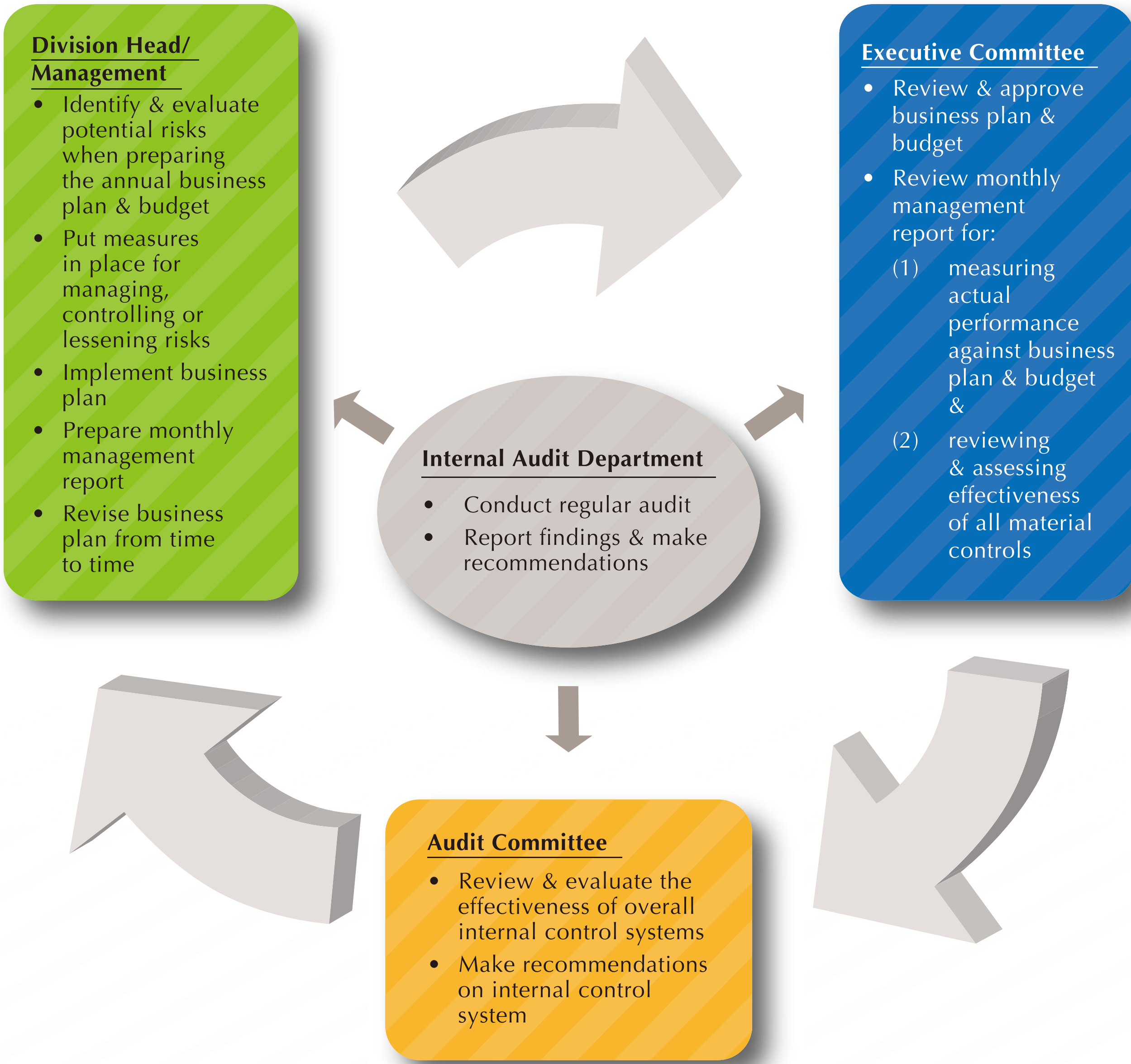
The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

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

The Company set up an Internal Audit Department in October 2012 which assists the Board and the Audit Committee to discharge its duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Board and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

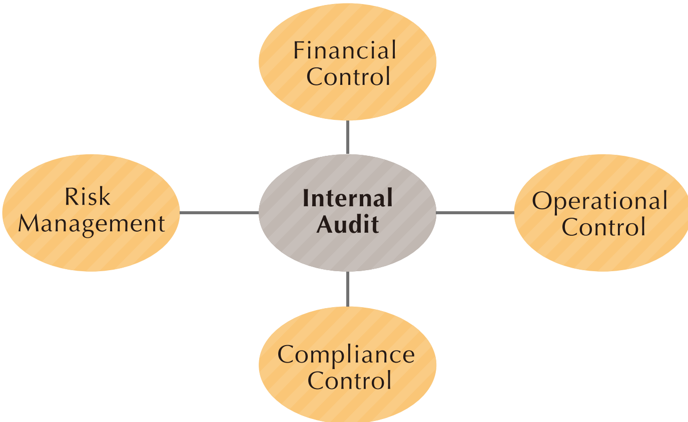
INTERNAL CONTROL (continued)

Internal Control System



INTERNAL CONTROL (continued)

Internal audit functions



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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2012.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

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

Services rendered	HK$'000
Audit services	3,000
Non-audit services:	
Taxation	212
	3,212

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 53 to 54 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

On 22 March 2012, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

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

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

COMMUNICATION WITH SHAREHOLDERS (continued)

The Chairman and the auditor of the Company, Deloitte Touche Tohmatsu, attended the 2012 AGM held during the year. Details of the Directors' attendances at the 2012 AGM are as follows:

Directors (as at the date of 2012 AGM)	Attendance
Executive Directors	
Li Shaofeng *(Chairman)*	✓
Mung Kin Keung	✓
Chau Chit	✓
Non-executive Directors	
Leung Shun Sang, Tony	✓
Lee Fook Sun	X
Independent Non-executive Directors	
Wong Kun Kim	✓
Leung Kai Cheung	✓
Wong Wai Kwan	X

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

SHAREHOLDERS' RIGHTS

Shareholder(s) holding not less than one-twentieth (5%) of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary.

Shareholder(s) representing not less than one-fortieth (2.5%) of the total voting rights of all shareholders of the Company having the right to vote at the meeting or of not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder may by requisition, at their own expense unless the Company otherwise resolves, to put forward proposals at general meeting of the Company pursuant to Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A written notice to that effect signed by the shareholder(s) concerned together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the general meeting, the reasons for such proposal and any material interest(s) of the proposing shareholder(s) in such proposal.

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered office or by email to our Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

CONSTITUTIONAL DOCUMENTS

During the year, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in notes 22 and 23 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the financial statements on pages 55 to 189 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2011: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 190 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the consolidated financial statements.

CONVERTIBLE LOAN NOTES

Details of movements in the Company's convertible loan notes during the year are set out in note 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 60 to 61 of this annual report and in note 38 to the consolidated financial statements, respectively.

DONATIONS

No charitable donation was made by the Group during the year (2011: Nil).

DIRECTORS

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

Li Shaofeng
Mung Kin Keung
Chau Chit
Leung Shun Sang, Tony
Lu Yeow Leong *(appointed on 28 September 2012)*
Wong Kun Kim*
Leung Kai Cheung*
Wong Wai Kwan*
Lee Fook Sun *(resigned on 28 September 2012)*

* *Independent Non-executive Directors*

In accordance with clauses 94 and 103(A) of the Company's articles of association, Messrs. Mung Kin Keung, Leung Shun Sang, Tony, Lu Yeow Leong and Wong Kun Kim will retire at the forthcoming annual general meeting. Save for Mr. Wong Kun Kim who will not offer himself for re-election due to his other engagements, Messsrs. Mung Kin Keung, Leung Shun Sang, Tony and Lu Yeow Leong, being eligible, will offer themselves for re-election at the said meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

The Directors of the Company who held office at 31 December 2012 had the following interests in the shares and underlying shares of the Company as at 31 December 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2012
Li Shaofeng	Beneficial owner	–	21,000,000	21,000,000	0.78%
Mung Kin Keung	Beneficial owner, interests of controlled corporations	315,614,000[&]	21,000,000	336,614,000	12.50%
Chau Chit	Beneficial owner, interests of a controlled corporation	316,598,000[#]	21,750,000	338,348,000	12.56%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	18,623,810	38,623,810	1.43%
Wong Kun Kim	Beneficial owner	–	3,514,000	3,514,000	0.13%
Leung Kai Cheung	Beneficial owner	1,714,000	1,800,000	3,514,000	0.13%

* *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 Schemes" below.*

& *Mr. Mung Kin Keung, who is also a substantial shareholder of the Company, indicated in his disclosed form dated 3 January 2013 (being the latest disclosure form filed up to 31 December 2012) that as at 31 December 2012, his interests included 313,726,000 shares of the Company held by China Review Property Group Limited ("China Review") which was wholly-owned by Mr. Mung Kin Keung. The interest held by China Review is disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable under the SFO" below.*

Mr. Chau Chit, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 28 November 2012 (being the latest disclosure form filed up to 31 December 2012) that as at 27 November 2012, his interests included 301,160,000 shares of the Company held by Mega Start Limited ("Mega Start") which was wholly-owned by Mr. Chau Chit. The interest held by Mega Start is disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable under the SFO" below.

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

Such business may be carried out through its subsidiaries.

* *Mr. Lee Fook Sun resigned as a Director of the Company during the year.*

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 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: Interests in shares	Interests in underlying shares	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2012	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	401,559,220	–	401,559,220	14.91%	*1*
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	–	231,515,151	8.59%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	–	170,044,069	6.31%	*1*
China Review Property Group Limited ("China Review")	Beneficial owner	313,726,000	–	313,726,000	11.65%	*2*
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	–	301,160,000	11.18%	*3*
Expert China Investments Limited	Beneficial owner	188,800,000	–	188,800,000	7.01%	
Templeton Asset Management Ltd.	Investment manager	–	193,749,999	193,749,999	7.19%	*4*
Link Chance Investment Limited	Beneficial owner	–	200,000,000	200,000,000	7.42%	*5*

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

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

Notes:

1. Shougang Holding indicated in its disclosure form dated 28 November 2012 (being the latest disclosure form filed up to 31 December 2012) that as at 27 November 2012, its interests included the interests held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. China Review was wholly-owned by Mr. Mung Kin Keung ("Mr. Mung"), a director of the Company, and its interest was disclosed as the interest of Mr. Mung under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

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. 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).

5. The interest is 1.5% convertible bond 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 bond is HK$0.45 per share (subject to adjustment).

Save as disclosed above, as at 31 December 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.

PUBLIC FLOAT

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

SHARE OPTION SCHEMES

On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 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.

A summary of the principal terms of each of the 2002 Scheme and the 2012 Scheme are set out below:

(a) 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

Under the 2002 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders, of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

As at 29 May 2012, being the termination date of the 2002 Scheme, options to subscribe for a total of 236,372,810 shares of the Company have been granted. Accordingly, the total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme is 236,372,810 which represents approximately 8.78% of the issued share capital of the Company as at the date of this annual report. Since the 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme. 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.

Each of the grantees is required to pay HK$1.00 as consideration for the grant of options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Save as disclosed above, there is no material difference in the terms, which shall be disclosed pursuant to Rule 17.09 of the Listing Rules, between the 2002 Scheme and the 2012 Scheme.

SHARE OPTION SCHEMES (continued)

(a) 2002 Scheme (continued)

No share option was granted, exercised or cancelled in accordance with the terms of the 2002 Scheme during the year. Details of movements in the share options under the 2002 Scheme during the year are as follows:

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Li Shaofeng	21,000,000	–	–	–	21,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420
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)[3]	–	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	–	–	(4,816,000)	18,623,810			
Chan Wah Tip, Michael	400,000	(400,000)[1]	–	–	–	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	1,714,000	(1,714,000)[1]	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	(1,800,000)[1]	–	–	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,914,000	(3,914,000)	–	–	–			
Lee Fook Sun	1,800,000	–	–	(1,800,000)[2]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780

SHARE OPTION SCHEMES (continued)

(a) 2002 Scheme (continued)

Category or name of grantees	At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
	Options to subscribe for shares of the Company							
Directors of the Company (continued)								
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
	98,217,810	(3,914,000)	–	(6,616,000)	87,687,810			
Employees of the Group	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			
Other participants	40,130,000	–	400,000[1]	(40,530,000)[3]	–	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[1]	–	10,434,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	27,400,000	–	1,800,000[1]	–	29,200,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	102,301,000	–	3,914,000	(40,530,000)	65,685,000			
	283,518,810	(3,914,000)	3,914,000	(47,146,000)	236,372,810			

Notes:

1. Mr. Chan Wah Tip, Michael resigned as a Director of the Company on 1 January 2012. The Board approved the extension of the exercise periods for the share options held by Mr. Chan up to 14 November 2012, 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year.

2. The share options were held by Mr. Lee Fook Sun who resigned as a Director of the Company on 28 September 2012. Such share options lapsed on 28 September 2012 according to the terms of the 2002 Scheme.

3. The share options lapsed on 15 November 2012, being the expiry date of the relevant option period.

SHARE OPTION SCHEMES (continued)

(b) 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2002 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for a period of ten years commencing on 25 May 2012, being the date on which the 2012 Scheme was conditionally adopted by the shareholders of the Company, and ending on 25 May 2022 (both dates inclusive).

Under the 2012 Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

No share option has been granted under the 2012 Scheme since its adoption. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 244,214,117, representing 9.07% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be are subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

SHARE OPTION SCHEMES (continued)

(b) 2012 Scheme (continued)

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2012, there was no share option outstanding under the 2012 Scheme.

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

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

DISTRIBUTABLE RESERVES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for 10% and 39% respectively of the total sales for the year. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers. In the year under review, purchases from the five largest suppliers accounted for less than 30% of the total purchases for the year.

CONNECTED TRANSACTIONS

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

On 7 January 2013, Sino Stride (HK) Limited ("Sino Stride HK"), a wholly-owned subsidiary of the Company, entered into a disposal agreement with Carrier Asia Limited ("Carrier Asia") pursuant to which Sino Stride HK agreed to sell 20% of the registered capital of Sinostride Technology Co. Ltd. ("Sinostride Technology") to Carrier Asia at a consideration of RMB58,300,000 (the "Disposal").

Pursuant to the terms of the new joint venture contract entered into amongst the shareholders of Sinostride Technology on 7 January 2013, Sino Stride HK has granted a call option to Carrier Asia under which Carrier Asia would have the right to require Sino Stride HK and/or its affiliates, at any time during the period from 1 January 2015 to 31 December 2017, to sell to Carrier Asia such percentage of its holding in Sinostride Technology to bring the total equity interest of Carrier Asia in the registered capital of Sinostride Technology to up to 75%.

The call option may be exercisable by Carrier Asia on any number of occasions, in whole or in part in respect of all or any part of the call option equity.

The price for the exercise of the call option would be the fair market value of the amount of the call option equity being purchased at the time the call option was exercised. The fair market value would be determined by Sino Stride HK and Carrier Asia, or if the parties were unable to agree on such value within 20 days of the date of notice for the exercise of the call option, the parties would jointly appoint a reputable accounting firm registered in the PRC to determine the value of the call option equity.

The sale of the call option equity to Carrier Asia is subject to (a) the approval of the Board; (b) the approval by the independent shareholder(s) of the Company (if it was so required by the Listing Rules); and (c) the Company not being regarded by the Stock Exchange as unsuitable for listing as a result of the sale of the call option equity.

The Group is principally engaged in the development and provision of system integration solutions, system design and sale of system hardware. Carrier Asia is a leading provider of heating, air-conditioning, and refrigeration solutions for commercial and other uses in Asia. The Disposal would enable Carrier Asia to have a greater stake in Sinostride Technology and in turn would strengthen the relationships between Carrier Asia and the Group and allow more rooms for development and cooperation.

Carrier Asia was a substantial shareholder of Sinostride Technology within the meaning of the Listing Rules and was a connected person of the Company. Accordingly, the Disposal constituted a connected transaction for the Company under the Listing Rules.

Details of the transaction were disclosed in the announcement of the Company dated 7 January 2013 in accordance with Chapter 14 and Chapter 14A of the Listing Rules. The Disposal was completed as at the date of this annual report.

As far as the transactions took place during the year as set out in note 46 to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the transactions as set out in notes (a)(i), (b)(i), (b)(ii) and (b)(iii) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 46(c) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the loan from a related company as set out in notes 11 and 34 to the consolidated financial statements were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

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

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 39 of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 47 to the consolidated financial statements.

AUDITOR

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 27 March 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 189, which comprise the consolidated and company statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Revenue	7	**309,348**	282,704
Cost of sales		**(265,332)**	(223,893)
Gross profit		**44,016**	58,811
Other expense		**(10,519)**	(2,607)
Other income	9	**15,022**	16,450
Other gains and losses	10	**(123,675)**	(20,052)
Selling and distribution costs		**(11,810)**	(11,410)
Administrative expenses		**(81,926)**	(93,045)
Finance costs	11	**(89,945)**	(84,208)
Loss before tax		**(258,837)**	(136,061)
Income tax expense	12	**(11,358)**	(3,581)
Loss for the year from continuing operations	13	**(270,195)**	(139,642)
Discontinued operations			
Loss for the year from discontinued operations	14	**(125,352)**	(4,030)
Loss for the year		**(395,547)**	(143,672)
Other comprehensive income			
Exchange differences on translation			
Exchange difference arising during the year		**4,500**	57,436
Share of translation difference of associates		**7**	293
Reclassification adjustment upon disposal of an associate		**–**	(289)
Available-for-sale investments			
Fair value loss on available-for-sale investments		**(35,227)**	–
Reclassification adjustment on impairment loss recognised in respect of available-for-sale investments		**35,227**	–
Reclassification adjustment upon disposal of an associate		**–**	2,090
Reclassification adjustment upon loss of significant influence of an associate		**–**	(2,154)
Revaluation of property			
Gain on revaluation upon transfer from property, plant and equipment to investment properties		**–**	2,902
Deferred tax upon transfer from property, plant and equipment to investment properties		**–**	(436)
Other comprehensive income for the year		**4,507**	59,842
Total comprehensive expense for the year		**(391,040)**	(83,830)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTE	**2012** **HK$'000**	2011 HK$'000 (Restated)
Loss for the year attributable to:			
Loss for the year attributable to the owners of the Company			
– Loss for the year from continuing operations		**(254,276)**	(144,612)
– Loss for the year from discontinued operations		**(125,352)**	(4,030)
Loss for the year attributable to the owners of the Company		**(379,628)**	(148,642)
(Loss) profit for the year attributable to non-controlling interests			
– (Loss) profit for the year from continuing operations		**(15,919)**	4,970
		(395,547)	(143,672)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(375,212)**	(91,669)
Non-controlling interests		**(15,828)**	7,839
		(391,040)	(83,830)
Loss per share	17		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**(16.59)**	(6.79)
From continuing operations			
Basic and diluted (HK cents)		**(11.11)**	(6.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	18	**11,496**	16,163
Goodwill	19	**70,188**	74,668
Intangible assets	20	**4,817**	8,841
Other receivables/deposit paid for acquisition of a property	21	**35,078**	43,050
Investments in associates	23	**2,467**	6,690
Available-for-sale investments	24	**23,232**	54,217
Club debentures	25	**700**	700
Deferred tax assets	39	**–**	9,871
		147,978	214,200
Current assets			
Inventories	26	**9,265**	23,894
Trade and bills receivables	27(a)	**42,324**	112,247
Prepayments, deposits and other receivables	27(b)	**103,851**	304,704
Held-for-trading investments	28	**–**	2,490
Loan to an investee	23	**80,165**	–
Amounts due from customers for contract work	29	**439,862**	419,773
Tax recoverable		**53**	1,711
Pledged bank deposits	31	**292,864**	333,106
Bank balances and cash	32	**13,362**	118,870
		981,746	1,316,795
Disposal groups classified as held-for-sale	14	**1,418,587**	1,549,304
		2,400,333	2,866,099
Current liabilities			
Trade and bills payables	33(a)	**159,553**	198,710
Other payables, deposits received and accruals	33(b)	**55,802**	55,739
Amounts due to customers for contract work	29	**1,775**	1,770
Convertible loan notes	35	**116,767**	87,626
Embedded derivative components of convertible loan notes	35	**16,144**	19,444
Tax liabilities		**7,008**	11,685
Borrowings – due within one year	34	**421,915**	609,641
Financial guarantee liabilities	44	**6,566**	–
		785,530	984,615
Liabilities associated with disposal groups classified as held-for-sale	14	**506,921**	555,999
		1,292,451	1,540,614
Net current assets		**1,107,882**	1,325,485
Total assets less current liabilities		**1,255,860**	1,539,685

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Convertible loan notes	35	**95,436**	235,812
Embedded derivative components of convertible loan notes	35	**38,143**	44,123
		133,579	279,935
Net assets		**1,122,281**	1,259,750
Capital and reserves			
Share capital	36	**673,035**	560,535
Reserves		**398,797**	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		**1,077,880**	1,205,682
Non-controlling interests		**44,401**	54,068
Total equity		**1,122,281**	1,259,750

The consolidated financial statements on pages 55 to 189 were approved and authorised for issue by the Board of Directors on 27 March 2013 and are signed on its behalf by:

Li Shaofeng
DIRECTOR

Chau Chit
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	18	**38**	684
Investments in subsidiaries	22	**38,336**	27,431
Advances to subsidiaries	22	**345,783**	347,151
Club debentures	25	**700**	700
		384,857	375,966
Current assets			
Prepayments, deposits and other receivables		**1,727**	1,074
Amounts due from subsidiaries	30	**781,038**	815,016
Bank balances and cash	32	**295**	503
		783,060	816,593
Current liabilities			
Other payables, deposits receivable and accruals		**51,904**	15,293
Amounts due to subsidiaries	30	**94,295**	87
Convertible loan notes	35	**116,767**	87,626
Embedded derivative components of convertible loan notes	35	**16,144**	19,444
Borrowings – due within one year	34	**–**	71,390
Financial guarantee liability	44	**863**	–
		279,973	193,840
Net current assets		**503,087**	622,753
Total assets less current liabilities		**887,944**	998,719
Non-current liabilities			
Convertible loan notes	35	**95,436**	235,812
Embedded derivative components of convertible loan notes	35	**38,143**	44,123
		133,579	279,935
Net assets		**754,365**	718,784
Capital and reserves			
Share capital	36	**673,035**	560,535
Reserves	38	**81,330**	158,249
Equity attributable to owners of the Company		**754,365**	718,784

Li Shaofeng
DIRECTOR

Chau Chit
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note 38)	Property revaluation reserve HK$'000	Other reserves HK$'000 (Note a)	Translation reserve HK$'000	Capital reserve HK$'000 (Note 38)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale HK$'000 (Note 14)	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	535,535	644,864	2,084	21,883	360	55,149	53,690	64	38,938	(171,663)	68,767	–	1,249,671	46,229	1,295,900
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(148,642)	–	–	(148,642)	4,970	(143,672)
Exchange difference arising during the year	–	–	–	–	–	54,567	–	–	–	–	–	–	54,567	2,869	57,436
Share of translation difference of associates	–	–	–	–	–	293	–	–	–	–	–	–	293	–	293
Reserve released upon disposal of an associate	–	–	–	–	–	(289)	–	2,090	–	–	–	–	1,801	–	1,801
Reclassification adjustment upon loss of significant influence of an associate	–	–	–	–	–	–	–	(2,154)	–	–	–	–	(2,154)	–	(2,154)
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)
Total comprehensive income (expense) for the year	–	–	–	2,466	–	54,571	–	(64)	–	(148,642)	–	–	(91,669)	7,839	(83,830)
Shares issued upon exercise of a convertible bond	25,000	22,680	–	–	–	–	–	–	–	–	–	–	47,680	–	47,680
Release of equity component of a convertible loan note upon redemption	–	–	–	–	–	–	–	–	–	68,767	(68,767)	–	–	–	–
Transfer to amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held–for–sale	–	–	–	(24,349)	–	(4,687)	–	–	–	–	–	29,036	–	–	–
At 31 December 2011 and 1 January 2012	560,535	667,544	2,084	–	360	105,033	53,690	–	38,938	(251,538)	–	29,036	1,205,682	54,068	1,259,750
Loss for the year	–	–	–	–	–	–	–	–	–	(379,628)	–	–	(379,628)	(15,919)	(395,547)
Exchange difference arising during the year	–	–	–	–	–	4,409	–	–	–	–	–	–	4,409	91	4,500
Share of translation difference of associates	–	–	–	–	–	7	–	–	–	–	–	–	7	–	7
Fair value loss on available-for-sale investments	–	–	–	–	–	–	–	(35,227)	–	–	–	–	(35,227)	–	(35,227)
Reclassification adjustment on impairment loss recognised in respect of available-for-sale investments	–	–	–	–	–	–	–	35,227	–	–	–	–	35,227	–	35,227
Total comprehensive income (expense) for the year	–	–	–	–	–	4,416	–	–	–	(379,628)	–	–	(375,212)	(15,828)	(391,040)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note 38)	Property revaluation reserve HK$'000	Other reserves HK$'000 (Note a)	Translation reserve HK$'000	Capital reserve HK$'000 (Note 38)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale HK$'000 (Note 14)	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Shares issued upon exercise of a convertible bond	112,500	134,910	–	–	–	–	–	–	–	–	–	–	247,410	–	247,410
Lapse/forfeiture of share options	–	–	–	–	–	–	–	–	(324)	324	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(196)	–	–	–	196	–	–	–	6,161	6,161
Reserves released upon derecognition of disposal groups classified as held-for-sale	–	–	–	–	–	–	–	–	–	22,988	–	(22,988)	–	–	–
At 31 December 2012	673,035	802,454	2,084	–	360	109,253	53,690	–	38,614	(607,658)	–	6,048	1,077,880	44,401	1,122,281

Note:

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

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

These subsidiaries are also required to transfer 5% of the profit after tax (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. No such transfer was made during both years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(395,547)**	(143,672)
Adjustments for:		
Impairment loss in respect of goodwill	**4,668**	110,588
Depreciation of property, plant and equipment	**99,576**	90,700
Income tax expense	**11,358**	73,616
Loss on issuing of financial guarantee contracts	**770**	–
Impairment loss on receivables in respect of other receivables/deposit paid for acquisition of property	**13,400**	1,916
Reversal of impairment loss related to deferred consideration receivable from disposal of Remarkable (defined in note 14(b))	**(6,167)**	–
Reversal of impairment loss in respect of other receivables	**(301)**	–
Write-down of inventories	**3,840**	1,965
Interest on convertible loan notes	**63,551**	59,752
Interest on bank borrowings	**47,082**	49,264
Interest on other borrowings	**4,077**	1,768
Amortisation of intangible assets	**23,885**	23,049
Impairment loss on disposal groups classified as held-for-sale investments	**–**	9,763
Impairment loss in respect of available-for-sales investments	**35,227**	5,200
Impairment loss in respect of trade receivables	**11,719**	3,357
Decrease in fair value of held-for-trading investments	**76**	1,552
Impairment loss in respect of amounts due from customers for contract work	**4,283**	1,214
Impairment loss in respect of intangible assets	**–**	641
Release of prepaid lease payments	**–**	84
Loss (gain) on fair value change of the derivative components of convertible loan notes	**68,507**	(63,226)
Gain on disposal of property, plant and equipment	**(575)**	(37,284)
Interest income	**(15,266)**	(16,483)
Increase in fair value of investment properties	**(4,535)**	(3,963)
Gain on disposal of an associate	**–**	(2,894)
Gain on loss of significant influence of an associate	**–**	(2,154)
Gain on disposal of available-for-sale investments	**–**	(241)
Gain on disposal of subsidiaries, net	**(7,685)**	–

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Operating cash flows before movements in working capital		**(38,057)**	164,512
Increase in inventories		**(9,174)**	(7,096)
Decrease (increase) in trade and bill receivables		**23,912**	(43,116)
Decrease in prepayments, deposits and other receivables		**79,695**	7,288
Decrease in amounts due to customers for contract work		**–**	(25,373)
Increase in amounts due from customers for contract work		**(23,182)**	(30,603)
Decrease in held-for-trading investments		**2,414**	4,572
Increase (decrease) in other payables, deposits received and accruals		**4,430**	(5,599)
Decrease in trade and bills payables		**(62,591)**	(19,032)
Cash (used in) generated from operations		**(22,553)**	45,553
Interest paid		**(48,668)**	(55,161)
PRC Income Tax paid		**(5,977)**	(4,612)
Receipt of tax refund		**1,711**	14
Hong Kong Profits Tax paid		**(74)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(75,561)**	(14,206)
INVESTING ACTIVITIES			
Consideration paid for acquisition of intangible asset		**–**	(292,320)
Purchases of property, plant and equipment		**(61,753)**	(181,636)
Placement of pledged bank deposits		**(292,078)**	(249,610)
Shareholder loan to an investee	23	**(80,165)**	–
Purchase of intangible assets		**–**	(2,114)
Purchase of unlisted available-for-sale investments		**–**	(1,805)
Refund of deposit paid for acquisition of digital television system equipment		**–**	163,401
Repayment of other receivable from a third party		**12,300**	–
Withdrawal of pledged bank deposits		**341,168**	168,155
Net cash inflow on disposal of subsidiaries	40(c)	**51,222**	–
Settlement of consideration for disposal of subsidiaries in prior years	40(c)	**120,475**	96,648
Deposit received from purchasers relating to disposal groups classified as held-for-sale		**50,000**	13,038
Proceeds from disposal of property, plant and equipment		**1,428**	46,358
Interest received		**9,037**	9,259
Proceeds from disposal of available-for-sale investments (net of transaction costs)		**–**	8,664
Proceeds from disposal of associate		**–**	666
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**151,634**	(221,296)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	**515,936**	598,786
Proceeds from issue of convertible loan notes	**–**	360,000
Loan advance from a related party	**116,400**	93,240
Loan advance from a third party	**–**	22,140
Loan advance from a shareholder	**–**	17,000
Repayments of bank loans	**(608,038)**	(505,281)
Repayments of convertible loan notes	**–**	(385,000)
Repayment to a related party	**(170,720)**	(38,850)
Repayment to a third party	**(22,140)**	–
Repayment to a shareholder	**(17,000)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(185,562)**	162,035
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(109,489)**	(73,467)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**123,262**	210,318
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(218)**	(13,589)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**13,555**	123,262
Represent by:		
Bank balances and cash	**13,362**	118,870
Cash and cash equivalents included in a disposal group held-for-sale	**193**	4,392
	13,555	123,262

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a private company incorporated in Hong Kong, China Review Property Group Limited and Mega Start Limited, both private companies incorporated in British Virgin Islands, are substantial shareholders (as defined in the Rule Governing the Listing Securities on the Stock Exchange (the "Listing Rules")) of the Company. Shougang Holding has significant influence over the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the Company's annual report.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 22 and 23, respectively.

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2012 financial year.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets (continued)

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios which are located in the PRC and currently included in the "disposal groups classified as held-for-sale", and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors of the Company have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 is applied retrospectively. However, in view of the insignificant change in fair value of the Group's investment properties, the application has no material impact on the Group's financial position and performance for current and prior years.

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets (continued)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for the Group for annual period beginning on 1 January 2015, with earlier application permitted. Based on the Group's financial assets and financial liabilities as at 31 December 2012, the directors consider that the adoption of HKFRS 9 will affect the measurement and classification of the Group's available-for-sale investments, but is not likely to affect the Group's other financial assets and financial liabilities.

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

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

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

Key requirements of HKFRS 10 and HKFRS 12 are described below.

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

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

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

HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 Fair Value Measurement (continued)

HKFRS 13 is effective for the Group for annual period beginning on 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard will not have material impact to amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'.

The amendments to HKAS 1 also require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations that took place on or after 1 January 2010

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

Goodwill

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

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

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

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

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*), or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 *Financial Instruments: Recognition and Measurement*). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

Non-current assets held-for-sale

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

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the non-current asset (or disposal group) from being classified as held-for-sale if the delay of the completion of sale is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the non-current assets and disposal groups.

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

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

DTV business (defined below)

Revenue generated from digital television ("DTV") technical solution and equivalent business ("DTV business") comprises primarily the followings:

Provision of services and leasing of DTV equipment

2010 Arrangement (as defined in note 14(a))

Income from the provision of equipment to local DTV project companies and technical services was recognised based on the Group's entitlement to receive the monthly service income entered by the Group and Guangdong Southern Yinshi Network Media Company Limited ("Southern Yinshi").

2012 Arrangement (as defined in note 14(a))

Income from the provision of DTV technical services and leasing of DTV equipment is recognised based on the agreement entered by the Group and Southern Yinshi for the entitlement to receive such income.

Installation contracts

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

Leasehold land and buildings	Over the shorter of lease terms of land or 2%
Machinery, moulds and tools	4% – 20%
Equipment, furniture and fixtures	15% – 20%
Motor vehicles	20% to $33^1/_3$%
Leasehold improvements	Over the shorter of lease terms or 4%
DTV equipment	10%

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

Leasing

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessor

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

The Group as lessee

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

Arrangement that contain a lease

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

Leasehold land and building

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

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

Club debentures

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

On the disposal of a group entity that is not a foreign operation, the exchange differences accumulated in equity relating to the translation of assets and liabilities of that group entity into presentation currency of the Group are transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Borrowing costs

All borrowing costs incurred for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related cost for which the grants are intended to compensate.

Retirement benefits costs

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

An intangible asset is derecognised, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

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

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

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held-for-trading. A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item on the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 6c.

Loans and receivables

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

Available-for-sale financial assets

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

Changes in the carrying amount of available-for-sale equity investments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets (continued)

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment losses on financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment losses on financial assets (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Other financial liabilities

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

Convertible loan notes contain debt and equity components

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Convertible loan notes contain debt and equity components (continued)

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

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

Convertible loan notes contain debt component and derivative components

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Embedded derivatives

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

Financial guarantee contracts

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

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity settled share-based payment transactions

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

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

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

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

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

Share options granted to consultants

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recgonised in the consolidated financial statements.

Classification for DTV business as disposal group held-for-sale

DTV business continues to be classified as held-for-sale as at 31 December 2012 despite unexpected delay in completing the disposal during the current year. In making this judgment, the directors considered the detailed conditions set out in Appendix B to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. As disclosed in note 14(a), the unexpected delay of the completion is caused by the delay of the Reform (as defined in note 14(a)). In view of the delay of the Reform is beyond the Group's control and the Group remains committed to its plan to sell the disposal group, the directors are satisfied that classifying the DTV business as held-for-sale as at 31 December 2012 is appropriate.

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trade and bills receivables, and other receivables/deposit paid for acquisition of a property

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

As at 31 December 2012, the carrying amount of trade and bills receivables is HK$42,324,000, net of allowance for doubtful debts of HK$40,748,000 (2011: carrying amount of HK$112,247,000, net of allowance for doubtful debts of HK$59,799,000), and other receivables/deposit paid for acquisition of a property is HK$35,078,000 (2011: HK$43,050,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of the value in use and fair value less costs to sell of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a discount rate of 13.82% (2011:13.51%) in order to calculate the present value of the recoverable amount. Cash flows beyond the 5-year period are extrapolated using 3% (2011:3%) steady growth rate. Where the future cash flows are less than expected or there is downward revision of future estimated cash flows due to unfavorable changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill is HK$70,188,000 (net of accumulated impairment loss of HK$115,256,000) (2011: carrying amount of HK$74,668,000 net of accumulated impairment loss of HK$110,588,000). Details of the recoverable amount calculation are disclosed in note 19.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value of derivative financial instruments

As describe in note 35, the directors of the Company use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For embedded derivative components of the convertible loan notes, binomial model is used for valuation of the components which involves several key assumptions and estimates including share price volatility, dividend yield and risk free rate. As at 31 December 2012, the fair value of embedded derivative components of the convertible loan notes is HK$54,287,000 (2011: HK$63,567,000).

Fair value of available-for-sale investments

The directors of the Company use their judgment in selecting an appropriate valuation technique for unlisted equity investments in available-for-sale investments not quoted in an active market. The valuation technique involves key estimation and inputs that are observable for the assets and liabilities held by the investee company, including fair value of its listed equity investments, which are quoted in an active market as well as input of certain unobservable variables. As at 31 December 2012, the fair value of available-for-sale investments is HK$18,991,000 (2011: HK$54,217,000).

Income taxes

As at 31 December 2012, the Group had estimated unused tax losses of HK$416,940,000 (2011: HK$636,549,000) available for offset against future profits. No deferred tax assets have been recognised on such tax losses due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more than expected, recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings and convertible loan notes disclosed in notes 34 and 35 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2012 HK$'000	2011 HK$'000
THE GROUP		
Continuing operations		
Financial assets		
FVTPL – Held-for-trading investment	–	2,490
Loans and receivables (including cash and cash equivalents)	**489,640**	768,562
Available-for-sale financial assets	**23,232**	54,217
Financial liabilities		
Embedded derivative components of convertible loan notes	**54,287**	63,567
Amortised cost	**838,629**	1,165,918
Financial guarantee liabilities	**6,566**	–
Financial assets in disposal groups classified as held-for-sale		
Loans and receivables (including cash and cash equivalents)	**190,375**	202,013
Financial liabilities in disposal groups classified as held-for-sale		
Amortised cost	**362,980**	444,443
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,127,116**	1,162,853
Financial liabilities		
Embedded derivative components of convertible loan notes	**54,287**	63,567
Amortised cost	**306,498**	394,915
Financial guarantee liability	**863**	–

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies

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

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

Market risk

(i) Currency risk

Several subsidiaries of the Company under continuing operations have foreign currency sales and purchases. In addition, certain bank balances, deferred consideration (included in other receivables), borrowings, embedded derivative components of convertible loan notes and convertible loan notes of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The transactions and balances relating to discontinued operations are transacted using RMB, the functional currency of the relevant group entities.

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

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(i) Currency risk (continued)

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

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
THE GROUP				
US$	**1,135**	109,923	**403,131**	462,936
HK$	**226**	455	**133,579**	296,935
THE COMPANY				
US$	**69**	231	**132,911**	161,460
HK$	**1,127,047**	1,159,522	**227,874**	296,935

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(i) Currency risk (continued)

Sensitivity analysis

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

The following table details the Group's and the Company's sensitivity to a 5% (2011: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where RMB strengthen 5% (2011: 5%) against the relevant currencies. For a 5% (2011: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

	US$		**HK$**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Decrease in post-tax loss (i)	**16,783**	14,738	**5,567**	12,378
THE COMPANY				
Decrease (increase) in post-tax loss (2011: increase (decrease) in post-tax profit) (ii)	**5,546**	6,731	**(37,540)**	(36,013)

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

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

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(i) Currency risk (continued)

Sensitivity analysis (continued)

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

US$ denominated monetary assets arose primarily from deferred consideration from disposal of Remarkable in 2009 (defined in note 14(b)). The remaining balance with carrying amount of US$14,093,000 (equivalent to HK$109,501,000) as at 31 December 2011 was settled during the year ended 31 December 2012 and resulted in significant decrease in US$ denominated assets at 31 December 2012.

During the year ended 31 December 2012, HK$ denominated convertible loan notes with aggregate principal amount of HK$202,500,000 were converted into shares of the Company and resulted in significant decrease in HK$ denominated liabilities at 31 December 2012.

(ii) Interest rate risk

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

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

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

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2011: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank borrowings.

If interest rates on variable-rate bank borrowings had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the impact on profit or loss would be as follows:

	2012	2011
	HK$'000	HK$'000
THE GROUP		
Continuing operations		
Increase in post-tax loss	**1,343**	1,975
Discontinued operations		
Increase in post-tax loss	**1,176**	1,468

(iii) Other price risk

Price risk on embedded derivatives components of the Convertible Bond (defined under note 35(b) and (c)).

For the years ended 31 December 2012 and 2011, the Group and the Company are required to estimate the fair value of the derivative components of the Convertible Bond, including conversion option, early redemption option and compulsory conversion option, with changes in fair value to be recognised in the profit or loss as long as the Convertible Bond is outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 10% (2011: 10%) higher and lower in the share price of the Company and all other input variables of the valuation model were held constant.

	10% higher		10% lower	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Continuing operations				
Increase (decrease) in post-tax loss	**10,507**	9,705	**(9,171)**	(16,007)
THE COMPANY				
Increase (decrease) in post-tax loss (2011: decrease (increase) in post-tax profit)	**10,507**	9,705	**(9,171)**	(16,007)

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(iii) Other price risk (continued)

Sensitivity analysis (continued)

The following table details the Group's and the Company's sensitivity to a 10% (2011: 10%) higher and lower in the volatility of share price of the Company and all other input variables of the valuation model were held constant.

	10% higher		**10% lower**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Continuing operations				
Increase (decrease) in post-tax loss	**4,985**	11,032	**(4,199)**	(18,108)
THE COMPANY				
Increase (decrease) in post-tax loss (2011: decrease (increase) in post-tax profit)	**4,985**	11,032	**(4,199)**	(18,108)

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

In addition, the Group is also exposed to equity price risk arising from its available-for-sale investments. In the opinion of directors, a reasonably possible change in equity price would not have a material impact to the Group, therefore, no sensitivity analysis is presented.

Credit risk

As at 31 December 2012 and 2011, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to failure to discharge obligations by the counterparties and financial guarantees provided by the Group and the Company is arising from:

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

- the amount of contingent liabilities in relation to the financial guarantee provided by the Group and the Company as disclosed in note 44.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

***Credit risk** (continued)*

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

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

The Group and the Company have limited credit risk for financial guarantee contracts. Management periodically monitors the financial position of each of its subsidiaries and third parties to ensure each subsidiary and the third parties is financially viable to settle the debts due to the banking facilities drawn from financial institutions.

The Group has concentration of credit risk in relation to the trade and bills receivables as approximately 80% (2011: 61%) of the total trade receivables (including those under disposal groups held-for-sale) as at 31 December 2012 was due from the Group's largest customer of the DTV technical solutions and equipment business. As at 31 December 2012 and 2011, the amount has been classified as held-for-sale as explained in note 14(a). The Group will monitor the level of exposures to ensure that follow up actions and/or corrective action are taken promptly to lower the risk exposure or to recover the overdue balances.

In addition, the Group has concentration of credit risk in respect of loan to an investee. The management of the Group considers the credit risk is limited as the investee is a state-owned enterprise.

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

The Company has concentration of credit risk in relation to the advances to subsidiaries/amounts due from subsidiaries as at 31 December 2011 and 2012. The Company will monitor the level of exposures to ensure that follow up actions and/or corrective action are taken promptly to lower the risk exposure or to recover the overdue balances.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

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

Liquidity and interest risk tables

THE GROUP

Continuing operations

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012								
Trade and bills payables	–	140,329	19,224	–	–	–	159,553	159,553
Other payables	–	44,958	–	–	–	–	44,958	44,958
Bank borrowings (note 34)								
– fixed rate	7.14	73,407	22,452	–	–	–	95,859	94,347
– variable rate (note iii)	3.35	–	332,327	–	–	–	332,327	327,568
Convertible loan notes (note i)								
– Loan notes denominated in HK$ (note 35(c))	14.49	–	1,688	112,962	–	–	114,650	95,436
– Loan notes denominated in US$ (note 35(b))	33.60	161,296	–	–	–	–	161,296	116,767
Financial guarantee contracts (note ii)	–	19,733	107,297	5,180	14,553	1,850	148,613	6,566
		439,723	482,988	118,142	14,553	1,850	1,057,256	845,195

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

***Liquidity risk** (continued)*

Liquidity and interest risk tables (continued)

THE GROUP (continued)

Continuing operations (continued)

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011								
Trade and bills payables	–	187,809	10,901	–	–	–	198,710	198,710
Other payables	–	34,129	–	–	–	–	34,129	34,129
Loan from a related company (note 34)	10.00	57,094	–	–	–	–	57,094	54,390
Loan from a shareholder (note 34)	7.00	17,089	–	–	–	–	17,089	17,000
Loan from a third party (note 34)	5.85	22,462	–	–	–	–	22,462	22,140
Bank borrowings (note 34)								
– fixed rate	8.62	22,425	22,204	–	–	–	44,629	43,050
– variable rate (note iii)	4.14	69,218	411,238	–	–	–	480,456	473,061
Convertible loan notes (note i)								
– Loan notes denominated in HK$ (note 35(c))	14.49	–	4,725	4,725	281,230	–	290,680	235,812
– Loan notes denominated in US$ (note 35(b))	33.60	–	139,739	–	–	–	139,739	87,626
Financial guarantee contracts (note ii)	–	–	55,350	–	–	–	55,350	–
		410,226	644,157	4,725	281,230	–	1,340,338	1,165,918

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

Liabilities associated with disposal groups classified as held-for-sale

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012							
Trade and bills payables	–	25,785	–	–	–	25,785	25,785
Other payables	–	23,592	–	–	–	23,592	23,592
Bank borrowings							
– variable rate	7.13	–	145,467	96,970	116,340	358,777	313,603
		49,377	145,467	96,970	116,340	408,154	362,980

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011							
Trade and bills payables	–	31,806	1,579	–	–	33,385	33,385
Other payables	–	19,574	–	–	–	19,574	19,574
Bank borrowings							
– variable rate	7.11	–	101,596	139,859	204,994	446,449	391,484
		51,380	103,175	139,859	204,994	499,408	444,443

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

THE COMPANY

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012								
Amounts due to subsidiaries		94,295	–	–	–	–	94,295	94,295
Convertible loan notes (note i)								
– Loan notes denominated in HK$ (note 35(c))	14.49	–	1,688	112,962	–	–	114,650	95,436
– Loan notes denominated in US$ (note 35(b))	33.60	161,296	–	–	–	–	161,296	116,767
Financial guarantee contracts (note ii)	–	56,732	191,162	81,398	330,524	–	659,816	863
		312,323	192,850	194,360	330,524	–	1,030,057	307,361

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011								
Amounts due to subsidiaries	–	87	–	–	–	–	87	87
Loan from a related company (note 34)	10.00	57,094	–	–	–	–	57,094	54,390
Loan from a shareholder (note 34)	7.00	17,089	–	–	–	–	17,089	17,000
Convertible loan notes (note i)								
– Loan notes denominated in HK$ (note 35(c))	14.49	–	4,725	4,725	281,230	–	290,680	235,812
– Loan notes denominated in US$ (note 35(b))	33.60	–	139,739	–	–	–	139,739	87,626
Financial guarantee contracts (note ii)	–	44,280	190,650	81,180	186,960	142,680	645,750	–
		118,550	335,114	85,905	468,190	142,680	1,150,439	394,915

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

Notes:

i. The undiscounted cash flows of convertible loan notes represent the redemption amount at maturity date or the earliest date if the bondholder exercised the early redemption option, translated at the prevailing exchange rate at the end of reporting period on the assumption that there would be no conversion. The carrying amount of convertible loan notes denominated in HK$ represents the liability components carried at amortised cost with an effective interest rate of 14.49% (2011: 14.49%) whereas the carrying amount of convertible bond denominated in US$ represents the liability components carried at amortised cost with an effective interest rate of 33.60% (2011: 33.60%).

ii. The undiscounted cash flow on financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full utilised guarantee amount if that amount is claimed by the counterparty to the guarantee upon default in repayment by the borrowers. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the Group would fail to settle the scheduled repayment.

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

6c. Fair value

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

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

- the fair value of derivative instruments is determined using Binomial model based on assumptions set out in note 35.

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

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount loss, given the default.

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value (continued)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

	31 December 2012		31 December 2011	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible loan notes	**212,203**	**232,564**	323,438	352,099

Fair value measurements recognised in the consolidated statement of financial position

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

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

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value (continued)

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

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
THE GROUP				
Available-for-sale financial assets				
Available-for-sale investments	**–**	**18,991**	**–**	**18,991**
THE GROUP AND THE COMPANY				
Financial liabilities at FVTPL				
Embedded derivative components of convertible loan notes	**–**	**–**	**54,287**	**54,287**

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

There were no transfers between Level 1 and 2 for the Group and the Company in 2012 and 2011.

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value (continued)

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

	Derivative components of convertible loan notes
	HK$'000
THE GROUP AND THE COMPANY	
At 1 January 2011	28,490
Issue of convertible loan notes	114,306
Gain arising on changes of fair value (note 10)	(63,226)
Conversion of convertible loan notes into shares of the Company	(16,003)
Carrying amount at 31 December 2011 and 1 January 2012	63,567
Loss arising on changes of fair value (note 10)	68,507
Conversion of convertible loan notes into shares of the Company	(77,787)
Carrying amount at 31 December 2012	54,287

7. REVENUE

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

	2012	2011
	HK$'000	HK$'000
Continuing operations		
Installation contracts revenue	**272,792**	253,235
Provision of service	**18,836**	15,095
Sale of goods	**17,720**	11,772
Property rental income	**–**	2,602
	309,348	282,704

8. SEGMENT INFORMATION

Information reported to the chief operating decision maker ("CODM"), being the Managing Director of the Company, for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

During the year ended 31 December 2012, financial information relating to the Group's intelligent information business, leasing of investment properties and sales of light emitted diode projects have been provided separately to the CODM for the purposes of resource allocation and performance assessment. In addition, the CODM no longer reviewed the financial information relating to provision of inter-group management services. For segment reporting purpose, the two operating segments, leasing of investment properties and sale of light emitted diode projects are aggregated and reported under "Others". The Group's reportable segment from continuing operations under HKFRS 8 is, therefore, intelligent information business.

For the determination of segment result of intelligent information business, the impairment of goodwill is now included in, and bank interest income is excluded from the measurement of segment result.

Consequently, comparative figures for the year ended 31 December 2011 have been re-presented.

In 2011, a reportable and operating segment namely the "DTV technical solutions and equipment business" was classified as a disposal group held-for-sale and included in discontinued operations as described in note 14. In addition, further loss incurred for disposal of Remarkable in 2009 was also included in discontinued operations. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 14.

8. SEGMENT INFORMATION (continued)

(a) Segment revenue and results

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

For the year ended 31 December 2012

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
SEGMENT REVENUE			
External sales	304,574	4,774	309,348
Segment loss	(36,917)	(4,069)	(40,986)
Unallocated income and gains			20,009
Unallocated expenses			(51,020)
Decrease in fair value of held-for-trading investments			(76)
Impairment loss recognised in respect of available-for-sale investments			(35,227)
Gain on disposal of subsidiaries, net			7,685
Loss on fair value change of the derivative components of convertible loan notes			(68,507)
Finance costs			(89,945)
Loss on issuing financial guarantee contracts			(770)
Loss before tax (continuing operations)			(258,837)

8. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2011

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Total HK$'000 (Restated)
SEGMENT REVENUE			
External sales	273,925	8,779	282,704
Segment loss	(94,672)	(9,290)	(103,962)
Unallocated income and gains			51,847
Unallocated expenses			(51,738)
Gain on disposal of available-for-sales investments			241
Decrease in fair value of held-for-trading investments			(1,552)
Gain on fair value change of the derivative components of convertible loan notes			63,226
Gain on disposal of an associate			2,894
Gain on loss of significant influence of an associate			2,154
Impairment loss recognised in respect of available-for-sale investments			(5,200)
Impairment loss on disposal groups classified as held-for-sale			(9,763)
Finance costs			(84,208)
Loss before tax (continuing operations)			(136,061)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of bank interest income, certain gains, corporate expenses and those disclosed in the reconciliation above. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

There was no inter-segment sales in 2012 and 2011.

8. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'000 (Restated)
Reportable segment assets		
Continuing operations		
Intelligent information business	**709,457**	854,765
Reconciliation of reportable segment total to group total:		
Disposal group classified as held-for-sale and constituted discontinued operations – DTV technical solutions and equipment business (note 14)	**1,418,587**	1,480,952
Continuing operations – others (Note)	**7,424**	107,426
	2,135,468	2,443,143
Unallocated assets:		
Investments in associates	**2,467**	6,690
Loan to an investee	**80,165**	–
Bank balances and cash	**13,362**	118,870
Available-for-sale investments	**23,232**	54,217
Pledged bank deposits	**292,864**	333,106
Held-for-trading investments	**–**	2,490
Deferred tax assets	**–**	9,871
Deferred consideration	**–**	109,501
Other unallocated assets	**753**	2,411
Consolidated assets	**2,548,311**	3,080,299

Note: At 31 December 2011, it included an amount of HK$68,352,000 relating to lease of investment properties classified as disposal group held-for-sale. Such investment properties were disposed of on 22 June 2012.

8. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities (continued)

	2012 HK$'000	2011 HK$'000 (Restated)
Reportable segment liabilities		
Continuing operations		
Intelligent information business	**200,259**	225,982
Reconciliation of reportable segment total to group total:		
Liabilities associated with disposal group classified as held-for-sale and constituted discontinued operations – DTV technical solutions and equipment business (note 14)	**506,921**	539,731
Continuing operations – others (Note)	**16,871**	46,505
	724,051	812,218
Unallocated liabilities:		
Borrowings	**421,915**	609,641
Convertible loan notes (including embedded derivative components)	**266,490**	387,005
Financial guarantee liabilities	**6,566**	–
Tax liabilities	**7,008**	11,685
Consolidated liabilities	**1,426,030**	1,820,549

Note: At 31 December 2011, it included an amount of HK$16,268,000 relating to lease of investment properties classified as disposal group held-for-sale. Such investment properties were disposal of on 22 June 2012.

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

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

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

8. SEGMENT INFORMATION (continued)

(c) Other segment information

For the year ended 31 December 2012

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Segment total HK$'000
Amounts included in the measure of segment loss or segment assets:			
Capital expenditure (Note)	2,545	9	2,554
Depreciation of property, plant and equipment	2,751	1,136	3,887
Amortisation of intangible assets	2,644	–	2,644
(Gain) loss on disposal of property, plant and equipment	(682)	107	(575)
Write-down of inventories	–	3,840	3,840
Impairment loss in respect of amounts due from customers for contract work	4,283	–	4,283
Impairment loss in respect of other receivables	13,400	–	13,400
Impairment loss in respect of trade receivables	11,719	–	11,719
Interest income in respect of other receivables	(1,421)	–	(1,421)
Impairment loss recognised in respect of goodwill	–	4,668	4,668

8. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

For the year ended 31 December 2011

Continuing operations

	Intelligent information business HK$'000	Others HK$'000	Segment total HK$'000
Amounts included in the measure of segment loss or segment assets:			
Capital expenditure (Note 1)	7,402	245	7,647
Depreciation of property, plant and equipment	2,914	8,123	11,037
Amortisation of intangible assets	2,256	–	2,256
Increase in fair value of investment properties	–	(470)	(470)
Loss on disposal of property, plant and equipment (Note 2)	33	–	33
Write-down of inventories	–	1,965	1,965
Impairment loss in respect of amounts due from customers for contract work	1,214	–	1,214
Impairment loss in respect of intangible assets	641	–	641
Impairment loss in respect of trade receivables	882	2,475	3,357
Impairment loss recognised in respect of goodwill	110,588	–	110,588
Release of prepaid lease payments	–	84	84
Interest income in respect of deposit paid for acquisition of a property	(4,001)	–	(4,001)

Notes:

(1) Capital expenditure includes additions to property, plant and equipment and intangible assets but excludes those relating to discontinued operations.

(2) The Group's total gain on disposal of property, plant and equipment amounted to HK$37,528,000, of which HK$37,561,000 is not allocated to reportable and operating segment.

8. SEGMENT INFORMATION (continued)

(d) Revenue from major products and services

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

(e) Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC (country of domicile)	**309,348**	282,704	**88,911**	149,307
Hong Kong	**–**	–	**757**	805
	309,348	282,704	**89,668**	150,112

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

8. SEGMENT INFORMATION (continued)

(f) Information about a major customer

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

	2012 HK$'000	2011 HK$'000
Customer A[1]	–	61,386

[1] Revenue from intelligent information business.

No single customer contributes over 10% of the total sales of the Group from continuing operations for the year ended 31 December 2012.

9. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest on bank deposits	8,794	12,449
Imputed interest income in respect of deferred consideration arising from disposal of Remarkable (note 14(b))	4,807	–
Interest income in respect of other receivables/deposit paid for acquisition of a property (note 21)	1,421	4,001
	15,022	16,450

10. OTHER GAINS AND LOSSES

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
(Loss) gain on fair value change of the derivative components of convertible loan notes	35	**(68,507)**	63,226
Gain on disposal of property, plant and equipment		**575**	37,528
Net foreign exchange gain		**635**	3,880
Gain on disposal of an associate	23	**–**	2,894
Impairment loss in respect of other receivables/ deposit paid for acquisition of a property	21	**(13,400)**	(1,621)
Government subsidy (Note)		**–**	2,197
Gain on loss of significant influence of an associate	24	**–**	2,154
Proceeds from sale of scrap materials		**–**	975
Increase in fair value of investment properties		**–**	470
Gain on disposal of available-for-sale investments	24	**–**	241
Impairment loss in respect of intangible assets	20	**–**	(641)
Impairment loss in respect of amounts due from customers for contract work		**(4,283)**	(1,214)
Decrease in fair value of held-for-trading investments		**(76)**	(1,552)
Reversal of impairment loss in respect of deferred consideration receivable arising from disposal of Remarkable	14(b)	**6,167**	–
Impairment loss in respect of trade receivables	27	**(11,719)**	(3,357)
Impairment loss recognised in respect of available-for-sale investments	24	**(35,227)**	(5,200)
Impairment loss on disposal groups classified as held-for-sale	14(c)	**–**	(9,763)
Impairment loss recognised in respect of goodwill	19	**(4,668)**	(110,588)
Gain on disposal of subsidiaries, net	40(d)	**7,685**	–
Loss on issuing of financial guarantee contracts	44	**(770)**	–
Others		**(87)**	319
		(123,675)	(20,052)

Note: In 2011, government subsidy was received from the relevant government bureau of the PRC mainly to encourage a PRC subsidiary to operate as a high technology company in the present location. In order to entitle for the grants, the PRC subsidiary has to be engaged in high technology business and met criteria pursuant to PRC government document. The PRC subsidiary complied with conditions attached with this government subsidiary and subsidiaries were recognised upon receipt.

11. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**22,317**	22,688
Convertible loan notes (note 35)	**63,551**	59,752
Loan from a related company	**3,906**	1,709
Loan from a shareholder	**33**	56
Others	**138**	3
	89,945	84,208

12. INCOME TAX EXPENSE

	2012	2011
	HK$'000	HK$'000
Continuing operations		
Current tax:		
Regions in the PRC other than Hong Kong	**1,472**	9,323
Underprovision in prior years:		
Hong Kong	**21**	–
Deferred tax (note 39)		
Current year	**9,865**	(2,729)
Attributable to a change in tax rate	**–**	(3,013)
	9,865	(5,742)
	11,358	3,581

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

12. INCOME TAX EXPENSE (continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except that pursuant to the relevant laws and regulations in the PRC, a principal subsidiary of the Company is entitled to a 50% reduction in the applicable tax rate from 2010 to 2012.

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

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

	2012	2011
	HK$'000	HK$'000
		(Restated)
Loss before tax (from continuing operations)	**(258,837)**	(136,061)
Tax at the domestic income tax rate of 25%	**(64,709)**	(34,015)
Tax effect of expenses not deductible for tax purposes	**53,314**	41,007
Tax effect of income not taxable for tax purposes	**(5,095)**	(17,344)
Utilisation of tax losses not recognised in previous years	**–**	(308)
Tax effect of tax losses not recognised	**16,032**	14,314
Adjustment resulting from changes in expected reversal of temporary differences	**–**	(3,013)
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,853**	2,905
Reversal of deferred tax assets previously recognised	**9,865**	–
PRC dividend withholding tax	**–**	621
Effect of tax exemptions granted to a PRC subsidiary	**–**	(443)
Income tax on concessionary rate	**–**	(38)
Underprovision in prior years	**21**	–
Others	**77**	(105)
Tax expense for the year (from continuing operations)	**11,358**	3,581

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	45,483	54,210
– Retirement benefit scheme contributions	5,081	5,704
Total staff costs	50,564	59,914
Depreciation of property, plant and equipment	3,887	11,037
Amortisation of intangible assets (included in cost of sales)	2,644	2,256
Total depreciation and amortisation	6,531	13,293
Auditor's remuneration	2,578	2,699
Cost of inventories recognised as expenses (including write-down of inventories of HK$3,840,000 (2011: HK$1,965,000))	8,386	14,960
Contract costs recognised as expenses	246,764	206,668
Research and development costs (included in other expenses)	10,519	2,607
Release of prepaid lease payments	–	84

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

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

	2012			2011		
	DTV Business HK$'000 (Note a)	**Photomask Business HK$'000 (Note b)**	**Total HK$'000**	DTV Business HK$'000 (Note a) (Restated)	Photomask Business HK$'000 (Note b) (Restated)	Total HK$'000 (Restated)
Revenue	**69,548**	**–**	**69,548**	214,394	–	214,394
Cost of sales	**(112,660)**	**–**	**(112,660)**	(111,604)	–	(111,604)
Gross (loss) profit	**(43,112)**	**–**	**(43,112)**	102,790	–	102,790
Other income	**3,188**	**–**	**3,188**	2,437	–	2,437
Other gains and losses	**4,235**	**–**	**4,235**	5,038	–	5,038
Administrative expenses	**(6,908)**	**–**	**(6,908)**	(6,239)	–	(6,239)
Finance costs	**(24,765)**	**–**	**(24,765)**	(26,576)	–	(26,576)
Other expenses	**–**	**(57,990)**	**(57,990)**	–	(11,445)	(11,445)
(Loss) profit before tax	**(67,362)**	**(57,990)**	**(125,352)**	77,450	(11,445)	66,005
Income tax expense	**–**	**–**	**–**	(70,035)	–	(70,035)
(Loss) profit for the year from discontinued operations and attributable to owners of the Company	**(67,362)**	**(57,990)**	**(125,352)**	7,415	(11,445)	(4,030)

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

The assets and liabilities associated with disposal groups classified as held-for-sale are analysed as follows:

	2012				2011			
	DTV Business HK$'000 (Note a)	Photomask Business HK$'000 (Note b)	Leasing of investment properties HK$'000 (Note c)	Total HK$'000	DTV Business HK$'000 (Note a)	Photomask Business HK$'000 (Note b)	Leasing of investment properties HK$'000 (Note c)	Total HK$'000
Property, plant and equipment	785,573	–	–	785,573	815,670	–	373	816,043
Prepaid lease payment	–	–	–	–	–	–	2,452	2,452
Investment properties	45,453	–	–	45,453	40,794	–	75,254	116,048
Goodwill	13,667	–	–	13,667	13,630	–	–	13,630
Intangible assets	380,054	–	–	380,054	400,291	–	–	400,291
Trade receivables	173,361	–	–	173,361	173,730	–	–	173,730
Prepayments and other receivables	20,097	–	–	20,097	24,197	–	–	24,197
Pledged bank balances	189	–	–	189	8,284	–	–	8,284
Bank balances and cash	193	–	–	193	4,356	–	36	4,392
	1,418,587	–	–	1,418,587	1,480,952	–	78,115	1,559,067
Impairment loss recognised	–	–	–	–	–	–	(9,763)	(9,763)
Total assets classified as held-for-sale	1,418,587	–	–	1,418,587	1,480,952	–	68,352	1,549,304
Trade and bills payables	25,785	–	–	25,785	33,385	–	–	33,385
Other payables and accruals	24,858	–	–	24,858	22,435	–	–	22,435
Tax liabilities	92,675	–	–	92,675	92,427	–	–	92,427
Deferred tax liabilities	–	–	–	–	–	–	3,230	3,230
Bank borrowings	313,603	–	–	313,603	391,484	–	–	391,484
Amounts due to group entities	959,092	–	–	959,092	871,287	–	–	871,287
Total liabilities associated with disposal groups classified as held-for-sale	1,416,013	–	–	1,416,013	1,411,018	–	3,230	1,414,248
Deposit received from purchaser relating to disposal of DTV business	50,000	–	–	50,000	–	–	13,038	13,038
Total liabilities associated with disposal group classified as held-for-sale	1,466,013	–	–	1,466,013	1,411,018	–	16,268	1,427,286
Less: Amounts due to group entities	(959,092)	–	–	(959,092)	(871,287)	–	–	(871,287)
Liabilities associated with disposal groups classified as held-for-sale	506,921	–	–	506,921	539,731	–	16,268	555,999
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale	6,048	–	–	6,048	6,048	–	22,988	29,036

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

For presentation in the consolidated statement of financial position as at year end 31 December 2012 and 2011 and segment information in note 8, the amount due to group entities amounting to HK$959,092,000 (2011: HK$871,287,000) has been excluded from the total liabilities associated with disposals group classified as held-for-sale.

Leasing of investment properties was not presented as discontinued operation as the operation did not constitute a major line of business of the Group.

Cash flows for the year from the discontinued operations were as follows:

	DTV Business	Photomask Business	Total
	HK$'000	HK$'000	HK$'000
2012			
Net cash inflows (outflows) from operating activities	**39,105**	**(57,990)**	**(18,885)**
Net cash outflows from investing activities	**(53,192)**	**–**	**(53,192)**
Net cash inflows from financing activities	**9,924**	**–**	**9,924**
Net cash flows	**(4,163)**	**(57,990)**	**(62,153)**
2011			
Net cash inflows (outflows) from operating activities	242,521	(11,445)	231,076
Net cash outflows from investing activities	(312,514)	–	(312,514)
Net cash inflows from financing activities	16,726	–	16,726
Net cash flows	(53,267)	(11,445)	(64,712)

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

Loss for the year from discontinued operations has been arrived at after charging (crediting):

	2012			2011		
	DTV Business HK$'000	**Photomask Business HK$'000**	**Total HK$'000**	DTV Business HK$'000	Photomask Business HK$'000	Total HK$'000
Staff costs, including directors' remuneration						
– Salaries, wage and other benefits	**927**	**–**	**927**	7,171	–	7,171
– Retirement benefit scheme contributions	**125**	**–**	**125**	117	–	117
Total staff costs	**1,052**	**–**	**1,052**	7,288	–	7,288
Depreciation of property, plant and equipment	**95,689**	**–**	**95,689**	79,663	–	79,663
Amortisation of intangible assets	**21,241**	**–**	**21,241**	20,793	–	20,793
	116,930	**–**	**116,930**	100,456	–	100,456
Auditor's remuneration	**717**	**–**	**717**	804	–	804
Increase in fair value change of investment properties	**(4,535)**	**–**	**(4,535)**	(3,493)	–	(3,493)
Interest income	**(244)**	**–**	**(244)**	(33)	–	(33)
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	244	–	244
(Reversal of) impairment loss in respect of other receivables	**(301)**	**–**	**(301)**	295	–	295
Rental income from leasing of investment properties	**(2,531)**	**–**	**(2,531)**	(1,967)	–	(1,967)
Rental income from leasing of motor vehicle	**(413)**	**–**	**(413)**	(437)	–	(437)
Interest on bank borrowings wholly repayable within five years	**24,765**	**–**	**24,765**	26,576	–	26,576

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

(a) DTV Business

Reorganisation of DTV business model in November 2010

As disclosed in the Group's consolidated financial statements for the years ended 31 December 2010 and 2011, the Group completed the reorganisation of business model of its DTV business on 8 November 2010. Under the arrangement with Southern Yinshi, the Group was responsible to provide its equipment to local DTV project companies and technical services to Southern Yinshi (the "2010 Arrangement"), which owns the operation rights in providing multi-media information services based on cabled DTV network in the Guangdong Province. In return, the Group was entitled to receive certain percentage of technical service fee income generated from Southern Yinshi and local DTV project companies for 20 years ("2010 Arrangement Income").

Since the commencement of 2010 Arrangement, all of the Group's DTV equipment and technical services have been provided and rendered to local DTV project companies for serving its cable television subscribers (collectively referred to as "Provision of DTV Technical Services and Leasing of DTV Equipment"). The arrangement conveys the right to use the DTV equipment to the local DTV project companies. On this basis, the management of the Group considered that the 2010 Arrangement contains leasing of equipment to local DTV project companies for 20 years. In 2011, revenue amounting to HK$214,394,000 was generated from the Provision of DTV Technical Services and Leasing of DTV Equipment based on the Group's entitlement to receive the monthly technical service fee.

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

(a) DTV Business (continued)

Centralisation of cable digital broadcasting networks since December 2011

As disclosed in the Company's announcement dated 14 December 2011, the Company has been advised by Southern Media Corporation ("Southern Media"), a state-owned enterprise in the PRC, about the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "Reform") which is led by 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) (the "Steering Group"). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province will be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播網絡有限公司) ("Guangdong Network"), a state-owned enterprise in the PRC. As a result, the Group is no longer able to operate the DTV business under the existing structure and is no longer entitled to the 2010 Arrangement Income. As a result of the Reform, the Group is required to exit the DTV business.

On 23 December 2011, the Group entered into a sale agreement with Hong Kong Guang Hua Resources Investments Company Limited ("Guang Hua"), an independent third party, to dispose of its entire interest in South China Digital TV Holdings Limited, Yong Jiang Shi Yang Chun Yijiatong Information Technology Limited, Guangzhou Yijiatong Integrative Information Development Company Limited, South China Digital Equipment Company Limited, and South China DTV Technology Development Limited (collectively referred as the "DTV Disposal Group") at a total proceeds of HK$1,350,000,000. These companies are the wholly-owned subsidiaries of the Group, which carried out the Group's DTV business. On 29 February 2012, the Group signed a supplemental agreement to revise the total proceeds from HK$1,350,000,000 to HK$1,420,000,000. Total consideration included the settlement of amounts due to group entities of HK$959,092,000 (2011: HK$ 871,287,000) which has been excluded in liabilities associated with disposal groups classified as held-for-sale.

Based on the understanding of the management of the Group, the DTV Disposal Group will be eventually transferred by Guang Hua to Guangdong Network.

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

(a) DTV Business (continued)

Centralisation of cable digital broadcasting networks since December 2011 *(continued)*

In the preparation of the Group's consolidated financial statements for the year ended 31 December 2011, the directors of the Company determined that the sale is highly probable and the Group's subsidiaries operating DTV business are available for immediate sale. The directors expected the disposal to be completed upon obtaining the approval of Southern Yinshi and shareholders of the Company before 30 June 2012. Consequently. DTV business has been classified as discontinued operations. The assets and liabilities attributable to the DTV business are classified as disposal group held-for-sale and presented separately in consolidated statement of financial position at 31 December 2011.

Delay in completion of disposal of DTV business in 2012

This transaction has been approved by the shareholders of the Company on 25 May 2012.

As detailed in the Company's announcement on 2 January 2013, the Group has still not obtained the approval from Southern Yinshi as at 31 December 2012, Guang Hua and the Group have agreed that the time for fulfilment or waiver of the aforesaid outstanding condition to be further extended to 30 June 2013 or such other date as may be further agreed with Guang Hua. The management of the Group remains confident that the approval from Southern Yinshi will ultimately be obtained after the completion of the Reform and the delay in completing the disposal is caused by the delay in implementing the Reform. Although the expected completion date of the Reform is delayed, the policy about the Reform remains unchanged and the Reform is still in progress. Thus, the directors considered the transaction remains highly probable and the DTV Disposal Group is still continued to be classified as held-for-sale in the consolidated statement of financial position as at 31 December 2012.

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

(a) DTV Business (continued)

Delay in completion of disposal of DTV business in 2012 *(continued)*

At 31 December 2011 and 2012, the net proceeds from the disposal of the DTV Disposal Group is expected to exceed the carrying amounts of DTV Disposal Group and accordingly, no impairment loss has been recognised.

As mentioned above, the Group is no longer able to operate the DTV business under the existing structure and no longer entitled to the 2010 Arrangement Income. During the period ended 30 June 2012, the Group entered into an agreement with Southern Yinshi whereby Southern Yinshi agreed to pay an amount of HK$69,548,000 (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 ("2012 Agreement"). Subsequent to 30 June 2012, there was no agreement entered with Southern Yinshi in relation to the Provision of DTV Technical Services and Leasing of DTV Equipment and no additional income was recognised.

(i) Property, plant and equipment

For the year ended 31 December 2012, DTV Disposal Group acquired property, plant and equipment of approximately HK$63,504,000 to operate its DTV business.

For the year ended 31 December 2011, DTV Disposal Group acquired property, plant and equipment of approximately HK$181,977,000 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.

For the year ended 31 December 2011, DTV Disposal Group disposed certain equipment with an aggregate carrying amount of HK$1,002,000 for cash proceeds of HK$758,000, resulting in a loss on disposal of HK$244,000.

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

(a) DTV Business (continued)

(ii) Investment properties at fair value

	HK$'000
At 1 January 2011	35,105
Increase in fair value recognised in profit or loss	3,493
Exchange adjustment	2,196
At 31 December 2011	40,794
Increase in fair value recognised in profit or loss	4,535
Exchange adjustment	124
At 31 December 2012	45,453

The fair values of the DTV business investment properties at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by Messrs. Guangdong Junghua Assets & Real Estate Appraisal Co., Ltd. ("Guangdong Junghua"), Guangdong Junghua is member of China Appraisal Society and its address is Room 107, No. 747, Dongfeng Road East, Guangzhou City, Guangdong, PRC. Guangdong Junghua is an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition.

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

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

(a) DTV Business (continued)

(iii) Trade receivables

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

	2012	2011
	HK$'000	HK$'000
0 – 90 days	**–**	63,613
91 – 180 days	**–**	59,119
181 – 365 days	**69,780**	50,998
1 – 2 years	**103,581**	–
	173,361	173,730

Included in the trade receivables balance classified as assets held-for-sale are debtors with an aggregate carrying amount of approximately HK$173,361,000 (2011: HK$50,998,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2012	2011
	HK$'000	HK$'000
0 – 90 days	**–**	–
91 – 180 days	**–**	–
181 – 365 days	**69,780**	50,998
1 – 2 years	**103,581**	–
Total	**173,361**	50,998

The trade receivables are all denominated in functional currencies of respective group entities in both years.

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

(a) DTV Business (continued)

(iv) Trade and bills payables

An aged analysis of the trade and bills payables associated with disposal group classified as held-for-sale at the end of the reporting period based on the invoice date is as follows:

	2012	2011
	HK$'000	HK$'000
0 – 90 days	**21,651**	28,912
91 – 180 days	**980**	3,929
181 – 365 days	**2,542**	409
1 – 2 years	**607**	135
Over 2 years	**5**	–
	25,785	33,385

At 31 December 2012, bank deposits of HK$189,000 (2011: HK$8,284,000) were pledged to banks to secure bills payable granted to the disposal group as disclosed in note 31.

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

(v) Bank borrowings

	2012	2011
	HK$'000	HK$'000
Bank borrowings	**313,603**	391,484
Secured	**44,744**	42,164
Unsecured	**268,859**	349,320
	313,603	391,484
Carrying amount repayable:		
Within one year	**123,675**	81,180
More than one year, but not exceeding two years	**83,864**	123,344
More than two years, but not exceeding five years	**106,064**	186,960
	313,603	391,484

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

(a) DTV Business (continued)

(v) Bank borrowings (continued)

The borrowings associated with disposal group classified as held-for-sale are variable rate borrowings carrying interest at two to five years benchmark interest rate of The People's Bank of China with 0%-20% (2011: 0%-20%) mark up.

The effective interest rates (which are also equal to contracted interest rates) on these borrowings ranged from 6.84% to 9.31% (2011: 6.84% to 9.31%) per annum.

During the year ended 31 December 2012, the Group obtained new loans associated with DTV Disposal Group classified as held-for-sale of HK$2,467,000 (2011: HK$42,164,000). The loans carry interest at two to three years benchmark interest rate of the People's Bank of China with 20% (2011: 20%) mark up, which will be repayable in 2014 (2011: repayable in 2013).

At 31 December 2012, investment properties of HK$45,453,000 (2011: HK$40,794,000) and buildings of HK$10,903,000 (2011: HK$11,160,000) were pledged to banks to secure bank borrowings granted to the disposal group (note 31).

The borrowings of the disposal group are all denominated in functional currencies of respective group entities in both years.

(b) Photomask Business

On 27 April 2009, a subsidiary of the Company entered into a sale agreement to dispose of its entire interest in Remarkable Mask Technology Company Limited ("Remarkable"), a wholly-owned subsidiary of the Group, which carried out all of the Group's manufacture and sale of photomask products business, to an independent third party at a consideration of US$42,000,000. The fair value of the consideration at initial recognition amounted to approximately HK$319,914,000 by using a discount rate of 4% by reference to the prevailing market borrowing rate.

The disposal was completed on 11 June 2009, on which date control of Remarkable was passed to the purchaser. The photomask business has been classified as discontinued operations in 2009. Details are set out in the Group's consolidated financial statements for the year ended 31 December 2009.

Pursuant to the sale and purchase agreement on disposal of Remarkable, the Group is obliged to deliver, install and complete the testing and inspection of equipment to ensure that the equipment are 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) amounted to HK$50,000,000 for meeting the Obligation. As at 31 December 2011, the provision was fully utilised and the Group had further incurred expenditure amounted to HK$11,445,000 in 2011 for meeting the Obligation. 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.

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

(b) Photomask Business (continued)

In 2012, certain equipment of Remarkable was 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. The equipment's inspection reports have subsequently been finalised and issued which had since expedited the Group's ability to recover the outstanding receivable on disposal of Remarkable. The additional costs of HK$57,990,000 were incurred for meeting the Obligation which were charged to profit or loss and included in the loss for the year from discontinued operations in 2012.

As at 31 December 2012, the Group has fully settled the amount payable of HK$40,874,000 to Grand Award Limited. The settlement of HK$40,874,000 consists of payments made of HK$11,625,000, HK$18,450,000 and HK$10,799,000, which were made to Grand Award Limited and two independent third parties according to payment instruction of Grand Award Limited.

With the assistance of Grand Award Limited, the remaining discounted consideration receivable arising from disposal of Remarkable with carrying amount of US$14,093,000 (equivalent to HK$109,501,000) was received in 2012. In addition, imputed interest income and reversal of impairment loss in respect of this consideration receivable amounting to HK$4,807,000 and HK$6,167,000, respectively, were recognised in the profit or loss in 2012.

(c) Leasing of Investment Properties

In December 2011, the Company entered into agreements with independent third parties pursuant to which the Company agreed to sell the entire issued share capital of Santai Electronics Limited ("Santai Electronics") and Aberdeen Investments Limited ("Aberdeen Investments"), wholly-owned subsidiaries of the Group engaging in property investment, for a total cash consideration of RMB53,000,000 (equivalent to approximately HK$65,122,000 based on exchange rate prevailing at 31 December 2011) in aggregate. Santai Electronics and Aberdeen Investments are sold to two companies which are wholly-owned subsidiaries of Solartech International Holdings Limited, an independent third party. The completion of disposal of Santai Electronics is conditional upon the disposal of Aberdeen Investments having become unconditional and vice versa. The assets and liabilities attributable to Santai Electronics and Aberdeen Investments, which is expected to be sold within twelve months from the end of the reporting period, have been classified as a disposal group held-for-sale and are presented separately in the consolidated statement of financial position as at 31 December 2011.

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

(c) Leasing of Investment Properties (continued)

In 2011, the classification of Santai Electronics and Aberdeen Investments as disposal group held-for-sales have resulted in loss of HK$9,763,000, being the written-down of disposal group to fair value less cost to sell, which is calculated as follows:

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

Investment properties at fair value

	HK$'000
At 1 January 2011	60,555
Transfer from property, plant and equipment (note 18)	10,307
Increase in fair value recognised in profit or loss	470
Exchange adjustment	3,922
At 31 December 2011 and 1 January 2012	75,254
Disposal of subsidiaries	(75,254)
At 31 December 2012	–

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

(c) Leasing of Investment Properties (continued)

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:

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

The disposals resulted in a loss of approximately of HK$301,000 for the year ended 31 December 2012, calculated as follows:

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

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 for the year ended 31 December 2012, after the payment of transaction costs amounting to HK$70,000.

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

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 10 (2011: 9) directors are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2012				
Chau Chit	**–**	**2,400**	**120**	**2,520**
Mung Kin Keung	**2,400**	**–**	**–**	**2,400**
Leung Kai Cheung	**240**	**–**	**–**	**240**
Leung Shun Sang, Tony	**190**	**–**	**–**	**190**
Chan Wah Tip, Michael (Note 3)	**–**	**–**	**–**	**–**
Wong Kun Kim	**240**	**–**	**–**	**240**
Lee Fook Sun (Note 1)	**111**	**–**	**–**	**111**
Li Shaofeng	**–**	**2,400**	**120**	**2,520**
Wong Wai Kwan	**240**	**–**	**–**	**240**
Lu Yeow Leong (Note 2)	**39**	**–**	**–**	**39**
	3,460	**4,800**	**240**	**8,500**

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

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Notes:

1. This director resigned on 28 September 2012.
2. This director was appointed on 28 September 2012.
3. This director resigned on 1 January 2012.

Mr Chau Chit is also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive.

(b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group, three (2011: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2011: two) highest individuals which the sum of salaries are as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**1,690**	1,690
Contributions to retirement benefits schemes	**24**	24
	1,714	1,714

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

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

16. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2012 and 2011, nor has any dividend been proposed since the end of reporting period.

17. 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:

	2012	2011
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(379,628)**	(148,642)

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

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:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Loss figures are calculated as follows:		
Loss for the year attributable to the owners of the Company	**(379,628)**	(148,642)
Less: Loss for the year from discontinued operations	**(125,352)**	(4,030)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(254,276)**	(144,612)

17. LOSS PER SHARE (continued)

From continuing operations (continued)

	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,287,906**	2,189,812

The computation of diluted loss per share does not assume exercise of share options and conversion of convertible notes in 2012 and 2011 because (i) the exercise price of the Company's share options was higher than the average market price for respective financial years; and (ii) the assumed conversion of convertible notes would result in decrease in loss per share from continuing operations.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is HK5.48 cents per share (2011: loss of HK0.19 cents per share (restated)).

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

	2012	2011
	HK$'000	HK$'000
		(Restated)
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	**(125,352)**	(4,030)

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

18. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold land and buildings HK$'000	DTV equipment HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST							
At 1 January 2011	50,483	657,560	120,730	24,040	26,958	25,054	904,825
Additions	–	174,226	–	3,560	5,226	4,498	187,510
Transferred to investment properties	(25,832)	–	–	–	–	(13,865)	(39,697)
Write-off/disposals	(9,206)	–	(115,267)	(3,052)	(4,107)	(6,491)	(138,123)
Classify as held-for-sale	(13,151)	(875,198)	–	(3,485)	(11,189)	(6,986)	(910,009)
Exchange realignment	870	43,412	–	699	2,180	581	47,742
At 31 December 2011 and 1 January 2012	3,164	–	5,463	21,762	19,068	2,791	52,248
Additions	–	–	–	733	1,821	–	2,554
Write-off/disposals	–	–	(5,463)	(11,840)	(4,217)	(2,093)	(23,613)
Disposal of subsidiaries	–	–	–	(2,287)	(2,317)	–	(4,604)
Exchange realignment	8	–	–	871	(542)	–	337
At 31December 2012	3,172	–	–	9,239	13,813	698	26,922
DEPRECIATION AND IMPAIRMENT							
At 1 January 2011	24,631	8,769	116,404	16,846	11,146	18,711	196,507
Provided for the year	702	76,904	4,326	3,488	3,770	1,510	90,700
Eliminated on transfer to investment properties	(20,202)	–	–	–	–	(12,090)	(32,292)
Eliminated on write-off/disposals	(2,754)	–	(115,267)	(2,829)	(2,391)	(5,808)	(129,049)
Eliminated on reclassify as held-for-sale	(1,643)	(87,801)	–	(643)	(3,084)	(795)	(93,966)
Exchange realignment	81	2,128	–	1,239	389	348	4,185
At 31 December 2011 and 1 January 2012	815	–	5,463	18,101	9,830	1,876	36,085
Provided for the year	153	–	–	871	2,110	753	3,887
Eliminated on write-off/disposals	–	–	(5,463)	(11,701)	(3,614)	(1,982)	(22,760)
Disposal of subsidiaries	–	–	–	(382)	(1,705)	–	(2,087)
Exchange realignment	3	–	–	310	(12)	–	301
At 31December 2012	971	–	–	7,199	6,609	647	15,426
CARRYING VALUES							
At 31 December 2012	2,201	–	–	2,040	7,204	51	11,496
At 31 December 2011	2,349	–	–	3,661	9,238	915	16,163

18. PROPERTY, PLANT AND EQUIPMENT (continued)

THE GROUP (continued)

As at 31 December 2011, leasehold land and buildings and leasehold improvements with carrying value of HK$7,405,000 were transferred to investment properties as they were rented out to independent third parties to earn rental income. The fair value of these leasehold land and buildings at the date of transfer was HK$10,307,000, resulting in recognition of surplus on revaluation of HK$2,902,000 in other comprehensive income and accumulated in property revaluation reserve. As at 31 December 2011, such investment properties were classified as disposal group held-for-sale as described in note 14(c).

Certain items of property, plant and equipment were written off during both years as they were either fully depreciated or unable to generate any future economic benefits to the Group.

THE COMPANY

	Equipment, furniture and fixtures HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST			
At 1 January 2011	1,255	1,399	2,654
Additions	–	57	57
At 31 December 2011	1,255	1,456	2,711
Write-off	–	(1,456)	(1,456)
At 31 December 2012	1,255	–	1,255
DEPRECIATION			
At 1 January 2011	1,116	389	1,505
Provided for the year	51	471	522
At 31 December 2011	1,167	860	2,027
Provided for the year	50	485	535
Eliminated on write-off	–	(1,345)	(1,345)
At 31 December 2012	1,217	–	1,217
CARRYING VALUES			
At 31 December 2012	38	–	38
At 31 December 2011	88	596	684

18. PROPERTY, PLANT AND EQUIPMENT (continued)

THE COMPANY (continued)

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The carrying value of leasehold land and buildings comprises:				
Land in the PRC:				
Medium-term leases	**2,201**	2,349	**–**	–
	2,201	2,349	**–**	–

19. GOODWILL AND IMPAIRMENT TESTING

	2012	2011
	HK$'000	HK$'000
COST		
At 1 January	**185,256**	197,512
Transfer to assets classified as held-for-sale	**–**	(13,630)
Exchange realignment	**188**	1,374
At 31 December	**185,444**	185,256
IMPAIRMENT		
At 1 January	**110,588**	–
Impairment loss recognised in the year	**4,668**	110,588
At 31 December	**115,256**	110,588
CARRYING VALUES	**70,188**	74,668

19. GOODWILL AND IMPAIRMENT TESTING (continued)

For the purpose of impairment testing, goodwill set out above has been allocated to two cash generating units (CGUs), including Sino Stride Technology (Holdings) Limited ("SST") reported under "intelligent information business" operating segment and Zhejiang Concord Optic-Electronic Technology Company Limited ("Concord Optic") aggregated in "others" segment. Goodwill of HK$13,630,000 relating to DTV business has been classified as held-for-sale during the year ended 31 December 2011 as detailed in note 14(a).

	2012	2011
	HK$'000	HK$'000
Intelligent information operating segment		
– SST (Note a)	**70,188**	70,000
Others		
– Concord Optic (Note b)	**–**	4,668
	70,188	74,668

Notes:

(a) Management has appointed an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to perform a business valuation on SST. Management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the CGU to which the goodwill has been allocated) based on the valuation report is in excess of the aggregate carrying amount of SST (2011: impairment loss of HK$110,558,000). The recoverable amount of SST was determined using the basis of value in use calculation and based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the management of the Group covering a 5-year period, and a discount rate of 13.82% (2011: 13.51%). Cash flows beyond the 5-year period are extrapolated using 3% (2011: 3%) steady growth rate. The cash flow projections are prepared based on the expected gross margins which is determined by past performance of SST and management's expectation for the market development.

As detailed in note 47, subsequent to the year ended 31 December 2012, the Group disposed of 20% of registered capital of Sinostride Technology Co., Ltd ("Sinostride Technology"), at a consideration of RMB58,300,000 (equivalent to approximately HK$71,969,000) to a non-controlling shareholder of Sinostride Technology. The directors of the Company are of the opinion that the consideration in this disposal transaction is approximated to the fair value of Sinostride Technology.

(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, the future economic benefits generated from Concord Optic is expected to be minimal. Thus, the Group made a full impairment loss on goodwill of HK$4,668,000 (31 December 2011: nil), for the year ended 31 December 2012.

20. INTANGIBLE ASSETS

	Development costs for energy saving systems HK$'000	Development costs for intelligent information systems HK$'000	Project contracts HK$'000	Contract acquisition costs HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2011	3,974	12,009	1,473	417,241	434,697
Additions	–	2,114	–	–	2,114
Reclassify as held-for-sale (note 14)	–	–	–	(442,800)	(442,800)
Exchange realignment	240	753	–	25,559	26,552
At 31 December 2011 and 1 January 2012	4,214	14,876	1,473	–	20,563
Disposal of a subsidiary	(4,225)	–	–	–	(4,225)
Exchange realignment	11	39	–	–	50
At 31 December 2012	–	14,915	1,473	–	16,388
AMORTISATION AND IMPAIRMENT					
At 1 January 2011	988	5,927	1,401	19,686	28,002
Charge for the year	432	1,752	72	20,793	23,049
Impairment loss recognised in the year	641	–	–	–	641
Eliminated on reclassify as held-for-sale (note 14)	–	–	–	(42,509)	(42,509)
Exchange realignment	84	425	–	2,030	2,539
At 31 December 2011 and 1 January 2012	2,145	8,104	1,473	–	11,722
Charge for the year	679	1,965	–	–	2,644
Eliminated upon the disposal of a subsidiary	(2,831)	–	–	–	(2,831)
Exchange realignment	7	29	–	–	36
At 31 December 2012	–	10,098	1,473	–	11,571
CARRYING VALUES					
At 31 December 2012	–	4,817	–	–	4,817
At 31 December 2011	2,069	6,772	–	–	8,841

20. INTANGIBLE ASSETS (continued)

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

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

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

Development costs for intelligent information systems represent costs incurred for the design and development of intelligent information systems.

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

Contract acquisition costs represent the payment to DTV operator in Guangdong Province for acquiring the rights to provide technical services and equipment. The contract acquisition costs are amortised over the terms of the contract of 20 years on a straight-line basis. It has been reclassified as held-for-sale as the Company entered into a sale agreement to dispose of its entire interest in DTV business on 23 December 2011 as explained in note 14.

21. OTHER RECEIVABLES/DEPOSIT PAID FOR ACQUISITION OF A PROPERTY

The amount originally represented deposit paid to acquire a commercial property in the PRC for owner occupation pursuant to an agreement entered into between the Group and an independent third party 浙江華海實業有限公司 ("the Developer") dated 11 February 2010 ("Agreement"). The deposit carried interest at 10% per annum. At 31 December 2011, the acquisition had not been completed, pending for the issue of official premises permit of that property from a government body. Pursuant to the Agreement, if the transfer was required is not completed within five years from 11 February 2010, the Group can request for refund of the deposit from the Developer.

In August 2012, the Developer informed the Group that the government body may not issue the official premises permit for that property and orally agreed to refund the deposit to the Group in 2015. Taking into account the financial position of the Developer, the Group estimated the future cash flows to be recovered from the Developer in respect of the deposit and overdue interest, and considered that an impairment loss of HK$13,400,000 (2011: nil), computed using the original effective rate of 10% per annum, should be made in profit or loss in 2012. Since August 2012, the Group recognised imputed interest income of HK$1,421,000 in profit or loss for the current year (2011: nil).

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**980**	990
Deemed capital contributions	**38,336**	27,421
Less: Impairment loss recognised	**(980)**	(980)
	38,336	27,431
Advances to subsidiaries	**345,783**	347,151

Deemed capital contributions approximately HK$10,915,000 (2011: HK$9,546,000) made during the year ended 31 December 2012 represent fair value adjustment on non-current interest-free advances to subsidiaries at initial recognition or upon revised estimates of the timing of repayment of advances by these subsidiaries.

The advances to subsidiaries are unsecured, non-interest bearing and denominated in HK$. In the opinion of the Directors, the Company will not demand repayment within one year from the end of reporting period and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the effective interest method at 3.16% per annum for the year ended 31 December 2012 (2011: 2.75% per annum) based on estimated timing of repayment.

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2012	2011	
				%	%	
Aberdeen Industrial Company Limited	Samoa	The PRC	1 ordinary share of US$1	**–**	100*	Investment holding
Aberdeen Investments Limited	Samoa	Hong Kong	1 ordinary share of US$1	**–**	100*	Property investment
Chongqing SinoStride Technology Co., Ltd. @ 重慶中程科技有限公司	The PRC	The PRC	Registered capital RMB200,000,000	**100***	100*	Provision of DTV technical solutions and equipment
Dongguan Santai Electrical Appliances Co., Ltd ^ 東莞三泰電器有限公司	The PRC	The PRC	Registered capital RMB64,000,000	**–**	100*	Property investment
Ever Create Profits Limited	The British Virgin Islands ("B.V.I.")	Hong Kong	1 ordinary share of US$1	**100***	100*	Inactive
Hitech Electro-Optical Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100***	100*	Inactive
Made Connection Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Printronics Electronics Limited	Hong Kong	Hong Kong	5 ordinary shares of HK$1 each	**60***	60*	Investment holding
Printronics Group Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Santai Corporate Services Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Provision of management services
Santai Manufacturing Limited	Hong Kong	The PRC	10,000 ordinary shares of HK$1 each	**–**	100	Investment holding
SCS Investment Company Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100***	100*	Investment holding

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2012 %	2011 %	Principal activities
SCT Electronics Limited	Hong Kong	The PRC	2 ordinary shares of HK$1 each	**100**	100	Investment holding
SST	B.V.I.	Hong Kong	1,078,959,000 ordinary shares of HK$0.01 each	**100***	100*	Investment holding
Zhejiang Sinostride Energy Saving Technology Co. Limited # 浙江中程節能技術有限公司	The PRC	The PRC	Registered capital RMB11,800,000	**–**	51*	System design and sales of energy saving products
Sinostride Technology @ 中程科技有限公司	The PRC	The PRC	Registered capital RMB113,000,000	**78.5***	78.5*	System value-added service solution and development
South China Digital TV Holdings Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
廣州市易家通互動信息發展有限公司 #	The PRC	The PRC	Registered capital RMB15,050,000	**100***	100*	Provision of DTV technical solutions and equipment
深圳市泰格信息科技開發有限公司 #	The PRC	The PRC	Registered capital RMB20,000,000	**100***	100*	Investment holding and sale of DTV equipment
Concord Optic @ 浙江協和光電科技有限公司	The PRC	The PRC	Registered capital RMB10,000,000	**80***	80*	System design, and sales of system hardware and light emitted diode products

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

22. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (continued)

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

None of the subsidiaries had issued any debt securities for the years ended 31 December 2012 and 2011.

23. INVESTMENTS IN ASSOCIATES/LOAN TO AN INVESTEE

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Unlisted investments in associates, at cost less impairment	**2,460**	6,397
Exchange realignment	**7**	293
	2,467	6,690
Loan to an investee	**80,165**	–

At 31 December 2012 and 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 2012	2011	Principal activities
Shenzhen Fasten Sino Stride Technology Limited 深圳市法爾勝中程科技有限公司 ("Shenzhen Fasten")	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 1)**	19% (Note 1)	Manufacture of photomask products

23. INVESTMENTS IN ASSOCIATES/LOAN TO AN INVESTEE (continued)

Notes:

(1) Wuxi Remarkable is a company registered in the PRC which is beneficially owned as to 19% by the Group. Wuxi Ledong Microelectronics Co., Ltd. (無錫樂東微電子有限公司) ("Ledong"), a shareholder of Wuxi Remarkable holding 8% interest, 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 appoint directors of Wuxi Remarkable and exercised its voting rights under the clause stated in the deed of trust of Wuxi Remarkable.

Pursuant to the supplemental agreement signed by Ledong in the first half of 2012, the Group considered its significant influence over Wuxi Remarkable was lost as it was no longer able to appoint directors to Wuxi Remarkable and reclassified Wuxi Remarkable as an available-for-sale investment. The management estimates that the carrying amount of the investment in Wuxi Remarkable amounting to HK$4,241,000 approximated its fair value on the date the significant influence was lost.

In the first half of 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$80,165,000) 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.

Subsequently, Ledong issued an offer letter (the "Offer") to acquire the Group's entire equity interest in, together with the Shareholder's Loan, from Wuxi Remarkable for a consideration of RMB68,439,000 (equivalent to approximately HK$84,406,000). The offer will expire by the end of June 2013. As disclosed in the Group's interim report for the six months ended 30 June 2012, the directors had committed to a plan to dispose of Wuxi Remarkable before 30 June 2013 and considered that the disposal was highly probable at 30 June 2012. Accordingly, the related investment cost and Shareholder's Loan were classified as a disposal group held-for-sale, which was presented separately in the condensed consolidated statement of financial position as at 30 June 2012.

In the second half of 2012, Ledong disposed of its own equity interest in Wuxi Remarkable to one of the existing shareholders of Wuxi Remarkable. In addition, Ledong orally informed the Group to withdraw the Offer. In view of the changes in circumstances and the restriction imposed in the Article of Wuxi Remarkable that transfer of its equity interest is restricted to the existing shareholders, the directors of the Company considered that the completion of disposal of Wuxi Remarkable within one year is no longer highly probable at 31 December 2012. Accordingly, the investment in Wuxi Remarkable and Shareholder's Loan have been reclassified as "available-for-sale investments" of HK$4,241,000 and "loan to an investee" of HK$80,165,000 respectively as at 31 December 2012.

(2) In January 2011, the Group disposed of its entire equity interest in Shanghai Tai Hung Investment Management Company Limited (上海泰泓投資有限公司) ("Shanghai Tai Hung") to an independent third party for proceeds of HK$11,890,000. This transaction resulted in the recognition of a gain of HK$2,894,000 in profit or loss during the year ended 31 December 2011, calculated as follows:

	HK$'000
Sale proceeds	11,890
Less: carrying amount of the 24% investment on the date of loss of significant influence	(7,195)
Less: reclassification of exchange reserve and investment revaluation reserve upon disposal	(1,801)
Gain recognised in profit or loss	2,894

24. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Unlisted equity investments:		
– Measure at fair value (Note i)	**18,991**	54,217
– Measure at cost less impairment (Note ii)	**4,241**	–
	23,232	54,217

Notes:

(i) It represents the Group's 19% equity interest in Success East Investment Limited ("Success East"), and entity incorporated in Hong Kong and principally involved in investment in securities. Pursuant to the supplemental agreement signed by the shareholders of Success East Investment Limited ("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 and Success East became an available-for-sale investment of the Group during the year ended 31 December 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.

At 31 December 2011, the investment in Success East is stated at fair value. In the directors' opinion, the fair value of investment in Success East declined significantly below cost and an impairment loss of HK$5,200,000 has been recognised and included in profit or loss for the year ended 31 December 2011. The fair value of Success East as at 31 December 2012 continued to decline which is mainly attributable to the impairment of certain financial assets held by Success East. Thus, further impairment loss of HK$34,255,000 is made in profit or loss for the year ended 31 December 2012.

(ii) As disclosed in note 23, the Group considered its significant influence over Wuxi Remarkable was lost as it was no longer able to appoint directors to Wuxi Remarkable and Wuxi Remarkable became an available-for-sale investment of the Group during the year ended 31 December 2012.

At 31 December 2012, the investment in Wuxi Remarkable is stated at cost as the directors of the Company consider that the fair value cannot be measured reliably. No impairment is considered as necessary at 31 December 2012.

(iii) In 2011, the Group disposed of certain unlisted equity securities with carrying amount of HK$8,423,000 at a cash consideration of HK$8,664,000. A gain on disposal of HK$241,000 has been recognised in profit or loss for the year ended 31 December 2011.

25. CLUB DEBENTURES

	2012	2011
	HK$'000	HK$'000
THE GROUP AND THE COMPANY		
Cost	**960**	960
Impairment loss recognised	**(260)**	(260)
	700	700

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

26. INVENTORIES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Raw materials	**4,220**	16,765
Work in progress	**–**	6,322
Finished goods	**5,045**	807
	9,265	23,894

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

(a) Trade and bills receivables

	2012 HK$'000	2011 HK$'000
Trade and bills receivables	**83,072**	172,046
Less: Allowance for doubtful debts	**(40,748)**	(59,799)
	42,324	112,247

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

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

	2012 HK$'000	2011 HK$'000
0 – 90 days	**26,756**	48,889
91 – 180 days	**7,473**	13,594
181 – 365 days	**1,722**	8,168
1 – 2 years	**6,373**	38,026
Over 2 years	**–**	3,570
	42,324	112,247

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

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

(a) Trade and bills receivables (continued)

Included in the Group's trade and bills receivables balance are debtors with an aggregate carrying amount of approximately HK$15,568,000 (2011: HK$28,307,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	2012	2011
	HK$'000	HK$'000
0 – 90 days	**–**	–
91 – 180 days	**7,473**	12,608
181 – 365 days	**1,722**	8,168
1 – 2 years	**6,373**	3,961
Over 2 years	**–**	3,570
Total	**15,568**	28,307

Movement in the allowance for doubtful debts

	2012	2011
	HK$'000	HK$'000
At 1 January	**59,799**	56,050
Impairment losses recognised on receivables	**11,719**	3,357
Disposal of subsidiaries	**(30,829)**	–
Exchange differences	**59**	392
At 31 December	**40,748**	59,799

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$40,748,000 (2011: HK$59,799,000) of which the Group has chased for settlements from customers but the amounts remained unsettled. In the opinion of directors, the amounts are considered uncollectible. The Group does not hold any collateral over these balances.

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

(b) Prepayment, deposits and other receivables

At 31 December 2012, the balance mainly included advances to suppliers in relation to intelligent information business of HK$54,512,000, deposit for projects for intelligent information business of HK$25,690,000 and a cash consideration of RMB6,000,000 (equivalent to HK$7,400,000) arising from disposal of a subsidiary (note 40(b)).

At 31 December 2011, the balance included deferred cash consideration of HK$109,501,000 arising from disposal of Remarkable (note 14(b)), advances to suppliers in relation to intelligent information business of HK$120,541,000, deposit for projects for intelligent information business of HK$22,755,000.

28. HELD-FOR-TRADING INVESTMENTS

	2012 **HK$'000**	2011 HK$'000
THE GROUP		
Listed securities:		
– Equity securities listed in Hong Kong	–	2,400
– Equity securities listed in the PRC	–	90
	–	2,490

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

	2012	2011
	HK$'000	HK$'000
THE GROUP		
Contract costs incurred plus recognised profits less recognised losses	**1,873,322**	2,163,417
Less: Progress billings	**(1,435,235)**	(1,745,414)
	438,087	418,003
Analysed for reporting purposes of:		
Amounts due from contract customers	**439,862**	419,773
Amounts due to contract customers	**(1,775)**	(1,770)
	438,087	418,003

At 31 December 2012, certain contract work amounting to approximately HK$9,921,000 (2011: HK$8,860,000) 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. At 31 December 2012, retentions held by customers for contract works of approximately HK$906,000 (2011: HK$2,774,000) were included in other receivables. There is no advance received from customers for contract work before the commencement of the contract. In the opinion of the directors, the amounts are expected to be realised in the next twelve months from the end of the reporting period.

30. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

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

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

31. PLEDGE OF ASSETS

THE GROUP

At the end of the reporting period, assets pledged to banks to secure banking facilities and borrowings granted to the Group were as follows:

	2012	2011
	HK$'000	HK$'000
Investment properties	**45,453**	40,794
Buildings	**10,903**	11,160
Bank deposits	**293,053**	341,390
Bills receivables	**–**	2,460
	349,409	395,804

Among the pledged assets, investment properties of HK$45,453,000 (2011: HK$40,794,000), buildings of HK$10,903,000 (2011: HK$11,160,000) and pledged bank deposits of HK$189,000 (2011: HK$8,284,000) as at 31 December 2012 were included in disposal group classified as held-for-sale (note 14).

The above assets were pledged for securing the following liabilities with carrying amounts as follows:

	2012	2011
	HK$'000	HK$'000
Borrowings – due within one year	**312,496**	303,936
Borrowings – due after one year	**2,467**	42,164
Bills payables	**12,056**	45,888
	327,019	391,988

31. PLEDGE OF ASSETS (continued)

THE GROUP (continued)

The pledged bank deposits carry interest at market rates ranging from 3.25% to 3.50% (2011: 2.25% to 3.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings in year 2013 (2011: in year 2012) and are therefore classified as current assets.

THE COMPANY

The Company has no pledge of assets as at 31 December 2012 and 2011.

32. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances carry interest at prevailing bank saving deposits rates ranging from 0.001% to 0.35% (2011: 0.001% to 1.13%) per annum.

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

	2012	2011
	HK$'000	HK$'000
THE GROUP		
HK$	**226**	272
US$	**1,135**	422
THE COMPANY		
HK$	**226**	272
US$	**69**	231

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

(a) Trade and bills payables

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

	2012	2011
	HK$'000	HK$'000
0 – 90 days	**69,640**	90,069
91 – 180 days	**17,415**	15,288
181 – 365 days	**5,121**	14,238
1 – 2 years	**23,943**	77,188
Over 2 years	**43,434**	1,927
	159,553	198,710

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

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

(b) Other payables, deposits received and accruals

At 31 December 2012 and 2011, the balance mainly represented advances from customers for sale of goods or provision of services, value added tax payable in relation to intelligent information business as well as accrued staff costs.

34. BORROWINGS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**421,915**	516,111	**–**	–
Loan from a related party (note 46(a)(i))	**–**	54,390	**–**	54,390
Loan from a shareholder (note 46(b)(i))	**–**	17,000	**–**	17,000
Loan from a third party	**–**	22,140	**–**	–
	421,915	609,641	**–**	71,390
Secured	**270,219**	303,936	**–**	–
Unsecured	**151,696**	305,705	**–**	71,390
	421,915	609,641	**–**	71,390

34. BORROWINGS (continued)

THE GROUP

The borrowings include:

	2012 HK$'000	2011 HK$'000
Fixed rate borrowings:		
Bank borrowings	**94,347**	43,050
Loan from a related party	**–**	54,390
Loan from a shareholder	**–**	17,000
Loan from a third party	**–**	22,140
	94,347	136,580
Variable rate borrowings carry interest at:		
One-year (2011: one-year) benchmark interest rate of The People's Bank of China with 10%-15% markup	**57,348**	171,585
London Interbank Offered Rate plus 2.2%-2.3% per annum	**270,220**	301,476
	327,568	473,061
	421,915	609,641

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

	2012	2011
Fixed-rate borrowings	**7.05% – 9.51%**	5.85% – 10.00%
Variable-rate borrowings	**2.53% – 7.17%**	2.39% – 9.31%

34. BORROWINGS (continued)

THE COMPANY

The borrowings include:

	2012 HK$'000	2011 HK$'000
Fixed rate borrowings:		
Loan from a related party	–	54,390
Loan from a shareholder	–	17,000
	–	71,390

During the year ended 31 December 2011, the effective interest rates (which are also equal to contracted interest rates) on the Company's borrowings were 7.00% and 10.00% per annum relating to loans from a shareholder and a related company respectively. All the loans were repaid during the year ended 31 December 2012.

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

	2012 HK$'000	2011 HK$'000
THE GROUP		
US$	**270,220**	355,866
HK$	–	17,000

	2012 HK$'000	2011 HK$'000
THE COMPANY		
US$	–	54,390
HK$	–	17,000

During the year, the Group obtained new loans of HK$629,869,000 (2011: HK$689,002,000). The loans bear interest at both fixed and market rates, which will be repayable in 2013 to 2014 (2011: 2012 to 2016). The new loans were borrowed by the group companies and several of them were under financial guarantee provided by the Company to the banks (note 44).

35. CONVERTIBLE LOAN NOTES

THE GROUP AND THE COMPANY

The movement of the debt 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 years ended 31 December 2012 and 2011 are set out as follows:

	Debt component HK$'000	**Derivative components** HK$'000
At 1 January 2011	441,203	28,490
Interest charge	59,752	–
Interest paid	(6,494)	–
Exchange realignment	(40)	–
Redemption of convertible loan notes	(385,000)	–
Conversion of convertible loan notes into shares of the Company	(31,677)	(16,003)
Issue of convertible loan notes	245,694	114,306
Gain arising on changes of fair value	–	(63,226)
At 31 December 2011 and 1 January 2012	323,438	63,567
Interest charge	63,551	–
Interest paid	(4,906)	–
Exchange realignment	(257)	–
Conversion of convertible loan notes into shares of the Company	(169,623)	(77,787)
Loss arising on changes of fair value	–	68,507
Carrying amount at 31 December 2012	212,203	54,287

35. CONVERTIBLE LOAN NOTES (continued)

Convertible Loan Notes Issued in 2008

(a) On 17 April 2008, the Company issued convertible loan notes with an aggregate principal amount of HK$385,000,000 ("Convertible Bond"). The maturity date of the Convertible Bond I is on 17 April 2011 ("Maturity Date I"). The Convertible Bond I carried 3% coupon interest per annum payable semi-annually and was redeemed at its principal amount at the Maturity Date I by the Company. The convertible loan notes equity reserve of HK$68,767,000 was transferred to accumulated losses upon redemption of the Convertible Bond I.

Convertible Bonds Issued in 2009

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

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

The major terms of Convertible Bond II are as follows:

*(i) **Conversion option:***

The Convertible Bond II is convertible into shares of the Company at any time after the Issue Date II up to, but excluding the close of business on the Maturity Date II at the conversion price of HK$0.60 per share, subject to anti-dilutive adjustments ("Conversion Price").

*(ii) **Compulsory conversion option:***

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

35. CONVERTIBLE LOAN NOTES (continued)

Convertible Bonds Issued in 2009 (continued)

(b) *(continued)*

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

The Convertible Bondholder shall be entitled by giving 10 business days prior written notice to the Company to require the Company to redeem the whole amount, or any part, of the Convertible Bond II on the date falling on the second anniversary from the Issue Date II, which is on 5 June 2011. At 31 December 2011, the Company was in the course of negotiating with the Convertible Bondholder to defer the exercise date of the early redemption option to a specified period from 30 June 2012 up to (but excluding) the Maturity Date II and thus the entire Convertible Bond II was reclassified as current liabilities as at 31 December 2011. On 21 March 2012, the Company and the Convertible Bondholder entered into a supplemental agreement, pursuant to which the Convertible Bondholder is entitled by giving at least 21 days prior written notice to the Company requiring the Company to redeem the whole amount, or any part, of the Convertible Bond II during the period from 30 June 2012 up to (but excluding) the Maturity Date II. The amount payable on redemption in such case is an amount which is equal to the aggregate of (i) the principal amount of the Convertible Bond II to be redeemed; and (ii) a premium equal to 8.5% per annum, compounded annually, accrued from the Issue Date II up to (but excluding) the date of redemption for such Convertible Bond II to be redeemed, calculated on the basis of a 360 day per year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

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

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

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

35. CONVERTIBLE LOAN NOTES (continued)

Convertible Bonds Issued in 2009 (continued)

(b) *(continued)*

Binomial model is used for valuation of the Derivative Component II. The major inputs into the model were as follows:

	31 December 2012	31 December 2011	5 June 2009
Stock price	**HK$0.49**	HK$0.31	HK$0.60
Exercise price	**HK$0.60**	HK$0.60	HK$0.60
Volatility (note)	**51%**	49%	50%
Dividend yield	**0%**	0%	0%
Option life	**1.42 years**	2.43 years	5 years
Risk free rate	**0.20%**	0.32%	2.83%

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

The fair value of the Convertible Bond II with embedded derivatives was determined with reference to a valuation report carried out by an independent valuer, on Issue Date II at approximately HK$116,250,000. As at 31 December 2012, the carrying amount of the debt component of the Convertible Bond is approximately HK$116,767,000 (2011: HK$87,626,000) and the fair value of the Derivative Component II of the Convertible Bond II is approximately HK$16,144,000 (2011: HK$19,444,000). At 31 December 2012 and 2011, the Convertible Bond II is classified as current liabilities. No conversion was noted for the years ended 31 December 2012 and 2011.

Convertible Bonds Issued in 2011

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

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

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

35. CONVERTIBLE LOAN NOTES (continued)

Convertible Bonds Issued in 2011 (continued)

(c) *(continued)*

The Convertible Bond III contains debt component and conversion option derivative (the "Derivative Component III"). The conversion option is classified as a derivative as it will be settled by an exchange of a variable amount of cash for a fixed number of the Company's own equity instruments on the basis that the Convertible Bond III is denominated in foreign currency of the Company.

At the date of issue, the debt component was recognised at fair value, calculated based on the present value of the redemption amount at maturity. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 14.49% per annum.

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

Binomial model is used for valuation of the Derivative Component III. The major inputs into the model were as follows:

	31 December 2012	**27 November 2012**	**22 November 2012**	31 December 2011	11 July 2011
Stock price	**HK$0.49**	**HK$0.49**	**HK$0.53**	HK$0.31	HK$0.45
Exercise price	**HK$0.45**	**HK$0.45**	**HK$0.45**	HK$0.45	HK$0.45
Volatility (Note)	**46%**	**48%**	**48%**	46%	35.82%
Dividend yield	**0%**	**0%**	**0%**	0%	0%
Option life	**1.28 years**	**1.37 years**	**1.39 years**	2.27 years	2.78 years
Risk free rate	**0.03%**	**0.12%**	**0.13%**	0.43%	0.61%

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

35. CONVERTIBLE LOAN NOTES (continued)

Convertible Bonds Issued in 2011 (continued)

(c) *(continued)*

The fair value of the Convertible Bond III with Derivative Component III was determined with reference to a valuation report carried out by an independent valuer, on Issue Date III at approximately HK$360,000,000. On 11 July 2011, a principal amount of HK$45,000,000 was converted into shares of the Company at a conversion price of HK$0.45 per share by exercising the conversion option. On 22 November 2012 and 27 November 2012, the principal amounts of HK$90,000,000 and HK$112,500,000 respectively were converted into shares of the Company at a conversion price of HK$0.45 per share by exercising the conversion option. As at 31 December 2012, the principal amount remains outstanding is HK$112,500,000 (2011: HK$315,000,000). The carrying amount of the debt component of the Convertible Bond III is approximately HK$95,436,000 (2011: HK$235,812,000) and the fair value of the Derivative Component III of the Convertible Bond III is approximately HK$38,143,000 (2011: HK$44,123,000). At 31 December 2012 and 2011, the Convertible Bond III is classified as non-current liabilities.

36. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2012		2011	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Ordinary shares of HK$0.25 each				
Authorised:				
At beginning and end of year	**4,000,000,000**	**1,000,000**	4,000,000,000	1,000,000
Issued and fully paid:				
At beginning of year	**2,242,141,179**	**560,535**	2,142,141,179	535,535
Exercise of conversion option of a convertible loan note	**450,000,000**	**112,500**	100,000,000	25,000
At end of year	**2,692,141,179**	**673,035**	2,242,141,179	560,535

36. SHARE CAPITAL (continued)

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

In November 2012, the Company allotted and issued a total of 450,000,000 shares at a price of HK$0.45 each to the holders of Convertible Bond III. The new shares rank pari passu with the existing shares in all respects.

37. SHARE-BASED PAYMENT TRANSACTIONS

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 Directors (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 options granted under the 2002 Scheme remain valid until those options lapsed on their expiry date.

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, HK$1 should be payable by the grantee on acceptance of an offer by the grantee under the 2012 Scheme. 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. During the year ended 31 December 2012, no share option was granted under the 2012 Scheme.

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following tables disclose details and movements in share options under the 2002 Scheme during the years ended 31 December 2012 and 2011:

For the year ended 31 December 2012

				Number of shares under options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2012	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	At 31.12.2012
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	5,216,000	–	–	(5,216,000)[2]	–
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	3,851,810	–	–	–	3,851,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	32,200,000	–	–	(1,800,000)[1]	30,400,000
	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596	18,750,000	–	–	–	18,750,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.420	35,000,000	–	–	–	35,000,000
				98,217,810	–	–	(7,016,000)	91,201,810
Employees of the Group	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	4,000,000	–	–	–	4,000,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	79,000,000	–	–	–	79,000,000
				83,000,000	–	–	–	83,000,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	40,130,000	–	–	(40,130,000)[2]	–
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	11,982,000	–	–	–	11,982,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	8,720,000	–	–	–	8,720,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	27,400,000	–	–	–	27,400,000
				102,301,000	–	–	(40,130,000)	62,171,000
				283,518,810	–	–	(47,146,000)	236,372,810
Exercisable at the end of the year				283,518,810				236,372,810
Weighted average exercise price per share				HK$0.681				HK$0.700

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

For the year ended 31 December 2011

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

All share options are vested at the date of grant.

[1] These share options were forfeited in 2012 upon resignation of the director during the year.

[2] The outstanding share options granted by the Company in 2002 entitling the grantees to subscribe for shares in the capital of the Company at an exercise price of HK$0.58 per share lapsed on 15 November 2012.

38. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000 (Note 1)	Capital reserve HK$'000 (Note 2)	Share option reserve HK$'000	Translation reserve HK$'000	Convertible loan notes equity reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
THE COMPANY								
At 1 January 2011	644,864	2,084	53,690	38,938	1,633	68,767	(739,186)	70,790
Profit for the year	–	–	–	–	–	–	28,463	28,463
Exchange difference arising during the year	–	–	–	–	36,316	–	–	36,316
Total comprehensive income (expense) for the year	644,864	2,084	53,690	38,938	37,949	68,767	(710,723)	135,569
Exercise of conversion option of a convertible loan note	22,680	–	–	–	–	–	–	22,680
Release of equity component of a convertible loan note upon redemption	–	–	–	–	–	(68,767)	68,767	–
At 31 December 2011	667,544	2,084	53,690	38,938	37,949	–	(641,956)	158,249
Loss for the year	–	–	–	–	–	–	(215,127)	(215,127)
Exchange difference arising during the year	–	–	–	–	3,298	–	–	3,298
Total comprehensive income (expenses) for the year	667,544	2,084	53,690	38,938	41,247	–	(857,083)	(53,580)
Share issued upon exercise of a convertible bond	134,910	–	–	–	–	–	–	134,910
Lapse/forfeiture of share options	–	–	–	(324)	–	–	324	–
At 31 December 2012	802,454	2,084	53,690	38,614	41,247	–	(856,759)	81,330

Notes:

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

2. By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium of the Company was reduced by an amount of HK$270,000,000. This amount was used to reduce the Company's accumulated losses of HK$216,310,000 and the balance of HK$53,690,000 was credited to the Company's capital reserve which is non-distributable. At the end of the reporting period, the Company did not have any reserve available for distribution (2011: nil).

39. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation of investment properties	Impairment loss on trade receivables	Impairment loss on amounts due from customers for contract work	Convertible loan notes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
At 1 January 2011	17	2,794	(925)	(4,358)	1,548	(924)
Exchange realignment	–	–	(75)	(336)	–	(411)
Credit to profit or loss for the year	(17)	–	(860)	(304)	(1,548)	(2,729)
Charged to other comprehensive income	–	436	–	–	–	436
Transferred to disposal group held-for-sale	–	(3,230)	–	–	–	(3,230)
Effect of change of tax rate	–	–	–	(3,013)	–	(3,013)
At 31 December 2011	–	–	(1,860)	(8,011)	–	(9,871)
Exchange realignment	–	–	1	5	–	6
Charged to profit or loss for the year	–	–	1,859	8,006	–	9,865
At 31 December 2012	–	–	–	–	–	–

39. DEFERRED TAXATION (continued)

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

	2012 HK$'000	2011 HK$'000
THE GROUP		
Deferred tax assets	–	(9,871)
Deferred tax liabilities	–	–
	–	(9,871)

	Deferred tax liability on convertible loan notes	
	2012 HK$'000	2011 HK$'000
THE COMPANY		
At beginning of year	–	1,548
Credit to profit or loss for the year	–	(1,548)
At end of year	–	–

At 31 December 2011, the Group recognised deferred tax assets amounted to approximately HK$9,871,000 in relation to deductible temporary differences relating to impairment of trade receivables and amounts due from customers for contract work as it was probable that taxable profits or taxable temporary differences would be available against which the deductible temporary differences could be utilised. Such deferred tax assets were entirely reversed in 2012 as the directors consider that it is no longer probable that the deductible temporary differences can be utilised. At 31 December 2011 and 2012, the Company did not have any deductible temporary differences.

At 31 December 2012, the Group has unused tax losses of approximately HK$424,998,000 (2011: HK$636,549,000) which are available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams for both years. Except below, other losses can be carried forward indefinitely.

39. DEFERRED TAXATION (continued)

	2012 HK$'000	2011 HK$'000
Tax losses to be expired in		
– 2013	**47**	47
– 2014	**17,367**	17,367
– 2015	**40,361**	40,361
– 2016	**132,730**	132,730
– 2017	**28,916**	–
	219,421	190,505

During the year ended 31 December 2012, subsidiaries with unused tax losses of approximately HK$155,717,000 (2011: HK$73,300,000) were de-registered or disposed of. In addition, the Inland Revenue Department of Hong Kong finalised the tax assessments of certain group entities submitted in prior years and the tax loss of the Group and the Company was adjusted downward by HK$128,018,000 (2011: nil) and HK$102,197,000 (2011: nil) respectively.

As at 31 December 2012, the Company had unrecognised tax losses amounting to approximately HK$114,650,000 (2011: HK$193,838,000) which can be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit scheme.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$40,146,000 (2011: HK$22,206,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

40. DISPOSAL OF SUBSIDIARIES

(a) On 31 December 2012, the Company disposed of its entire equity interest in a wholly-owned inactive subsidiary, Santai Manufacturing Limited ("Santai Manufacturing"), to an independent third party at a cash consideration of HK$40,000. The disposal was completed on 31 December 2012, on which date the Group passed the control of Santai Manufacturing to the purchaser. The net assets of Santai Manufacturing was HK$32,000 including bank balances of HK$28,000 on that date, and the disposal resulted in a gain of approximately HK$8,000. The consideration was settled in cash by the purchaser during the year ended 31 December 2012.

(b) On 26 December 2012, a subsidiary of the Company disposed of its entire 51% equity interest in a subsidiary, Zhejiang Sinostride Energy Saving Technology Co. Limited ("Energy Saving"), to two shareholders of the non-controlling shareholder of Energy Saving at a cash consideration of RMB6,000,000 (equivalent to HK$7,400,000). The disposal was completed on 26 December 2012, on which the date control of Energy Saving is passed to the purchasers. The disposal resulted in a gain of approximately HK$7,978,000 and the deferred consideration will be settled in cash by the purchaser six months after the date of disposal.

40. DISPOSAL OF SUBSIDIARIES (continued)

(b) *(continued)*

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

	26 December 2012 HK'$000
Net assets disposed of:	
Property, plant and equipment	2,517
Intangible assets	1,394
Inventories	20,033
Trade receivables	35,532
Prepayments and other receivables	15,280
Amounts due from group companies	5,010
Bank balances and cash	532
Trade and other payables	(11,246)
Tax liabilities	(189)
Bank borrowings	(81,398)
Net liabilities disposed of	(12,535)
Non-controlling interests	6,161
	(6,374)
Loss on issuing of financial guarantee contracts	5,796
Gain on disposal, net	7,978
Total consideration	7,400
Net cash outflow arising on disposal:	
Cash consideration	–
Less: bank balances and cash disposed of	(532)
	(532)

The Company provided guarantee to banks on certain of Energy Saving's borrowings. As part of the disposal of Energy Saving, the Company agreed to continue to provide such guarantee until its expiry between February 2013 and June 2018. Accordingly, the fair value of the financial guarantee contracts have been included in computing the net gain on disposal.

The consideration of the above disposal was included in other receivables as at 31 December 2012. After the disposal, the amount owed to Energy Saving by the Group of HK$5,010,000 was included in other payable and remained outstanding at 31 December 2012.

The cumulative exchange difference of HK$196,000 relating to translation of assets and liabilities of Energy Saving to HK$, presentation currency of the Group, was transferred to accumulated losses.

40. DISPOSAL OF SUBSIDIARIES (continued)

(c) Net cash inflow from investing activities on disposal of certain subsidiaries in current and prior years.

	2012 HK$'000	2011 HK$'000
Disposal in current year		
Disposal of Santai Manufacturing (note 40(a))	**12**	–
Disposal of Energy Saving (note 40(b))	**(532)**	–
Disposal of Santai Electronics and Aberdeen Investments (note 14(c))	**51,742**	–
	51,222	–
Settlement of consideration for disposal in prior years		
Disposal of Remarkable in 2009 (note 14(b))	**120,475**	91,039
Disposal of Yinshi Consultant in 2010	**–**	4,118
Disposal of Printronics China Limited and Far East PCB Limited in 2010	**–**	1,491
	120,475	96,648

(d) Gain on disposal of subsidiaries, net

	2012 HK'$000
Continuing operations	
Gain on disposal of Santai Manufacturing (note 40(a))	**8**
Gain on disposal of Energy Saving, net (note 40(b))	**7,978**
Loss on disposal of Santai Electronics and Aberdeen Investments (note 14(c))	**(301)**
Gain on disposal of subsidiaries, net	**7,685**

41. MAJOR NON-CASH TRANSACTIONS

For the years ended 31 December 2011 and 2012, non-cash transactions have taken place as follows:

(a) In 2012, the principal amounts of Convertible Bond III amounting to HK$202,500,000 (2011: principal amount of Convertible Bond III of HK$45,000,000) were converted into shares of the Company at a conversion price of HK$0.45 per share (2011: HK$0.45 per share).

(b) 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 (note 23). The remaining balance of HK$9,976,000 was utilised to settle the amount due from the associate of the same amount.

42. OPERATING LEASES

The Group and the Company as lessee

Minimum lease payments paid by the Group under operating leases during the year amounted to approximately HK$5,400,000 (2011: HK$6,680,000).

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		**THE COMPANY**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,189**	4,829	**1,719**	1,870
In the second to fifth year inclusive	**5,264**	4,388	**3,491**	–
Over five years	**3**	15	**–**	–
	10,456	9,232	**5,210**	1,870

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties, factory premises and quarters for directors and staff. Leases are negotiated and rentals are fixed for terms ranging from one to ten years.

42. OPERATING LEASES (continued)

The Group as lessor

Property and motor vehicles rental income earned during the year was approximately HK$2,944,000 (2011: HK$5,006,000), less direct operating expenses of approximately HK$580,000 (2011: HK$589,000) which was included in loss for the year from discontinued operations in the consolidated statement of comprehensive income.

The Group leases its investment properties and motor vehicles under operating lease arrangements with leases negotiated for terms ranging from one to five years. All the properties held have committed tenants for the next year (2011: for the next five years). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2012	2011
	HK$'000	HK$'000
Within one year	**2,200**	4,922
In the second to fifth years inclusive	**–**	8,376
	2,200	13,298

As disclosed in note 14(a), the Group conveys the right to use DTV equipment to local DTV project companies for 20 years under the 2010 Arrangement. The entire lease payment in respect of leasing DTV equipment to local DTV project companies is determined on a contingent basis. Accordingly, not included in above commitment amount at 31 December 2011. As a result of the Reform, the Group is no longer able to operate the DTV business under the existing structure and no longer entitled to 2010 Arrangement Income.

43. CAPITAL COMMITMENT

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**785**	108,802

44. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee given to banks, in respect of banking facilities to third parties				
– amount that could be required to be paid if the guarantee was called upon in entirety	**148,613**	55,350	**30,833**	–
– amount utilised	**104,214**	50,430	**18,500**	–
Guarantee given to banks in respect of banking facilities obtained by subsidiaries				
– amount guaranteed	**–**	–	**628,983**	645,750
– amount utilised	**–**	–	**404,522**	503,070

Other than disclosed in note 40(b), at 31 December 2012 and 2011, the Group and the Company have provided guarantees to banks in respect of banking facilities granted to subsidiaries at nil consideration. In addition, the Group entered into a cross guarantee arrangement with third parties whereby the third parties have also provided guarantee to banks in respect of Sinostride Technology's banking facilities for the years ended 31 December 2012 and 2011.

Fair value of these financial guarantees at initial recognition is evaluated by an independent valuer, Messrs. Jones Lang LaSalle Corporate Appraisal and Advisory Limited. At the end of the reporting period, an amount of HK$6,566,000 (2011: nil) and HK$863,000 (2011: nil) has been recognised as liabilities in the consolidated statement of financial position and the Company's statement of financial position, respectively. At 31 December 2012, no further provision for financial guarantee contracts has been made as the directors consider that the default risk of borrowers is low.

45. RETIREMENT BENEFIT SCHEMES

The Group operates a Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group contributes 5% of relevant payroll costs to the MPF Scheme, up to a maximum monthly contribution of HK$1,250 effective from 1 June 2012 (2011: HK$1,000) per employee, which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme (the "State-managed Scheme") operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% (2011: 8% to 20%) of its payroll costs to the State-managed Scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the State-managed Scheme.

The total cost charged to profit or loss of approximately HK$5,206,000 (2011: HK$5,821,000) represents contributions payable to the MPF Scheme and State-managed Scheme of approximately HK$364,000 (2011: HK$692,000) and HK$4,842,000 (2011: HK$5,129,000), respectively.

46. 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"). 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. Apart from the transactions with Shougang Holding and its subsidiaries (collectively refer to the "Shougang HK Group") (which are disclosed below), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

(i) Transactions with Shougang HK Group

	2012	2011
	HK$'000	HK$'000
Management fees paid	**660**	660
Interest expenses paid	**3,906**	1,709

In 2012, the Group obtained loans from Shougang HK Group of HK$116,400,000 (2011: HK$93,240,000). The borrowings were fully settled with interest expenses of HK$3,906,000 (2011: HK$1,709,000) for the year.

46. RELATED PARTY TRANSACTIONS (continued)

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

(ii) Transactions with Southern Yinshi

The Group entered into the 2010 Arrangement with local DTV project companies and Southern Yinshi, 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. In 2011, the Group recognised technical service fee as revenue amounting to HK$214,394,000 which was included in the discontinued operations for the year ended 31 December 2011.

As described in note 14(a), the Group is no longer entitled to the 2010 Arrangement Income. Southern Yinshi agreed to pay an amount of HK$69,548,000 for the Provision of DTV Technical Services and Leasing of DTV Equipment rendered by the Disposal Group to the local DTV project companies and Southern Yinshi for the six months ended 30 June 2012.

As at 31 December 2012, trade receivable due from Southern Yinshi amounting to approximately HK$173,361,000 (31 December 2011: HK$173,730,000) is included in disposal groups classified as held-for-sale in note 14(a).

(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.

46. 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 (2011: HK$56,000) for the year ended 31 December 2012.

(ii) The following guarantees were provided to banks to secure general banking facilities granted to the Group:

Guarantor	Relationship	Type of guarantee	Guarantee amount	
			31 December 2012 HK$'000	31 December 2011 HK$'000
Mr. Chau Chit	Director of the Company	Personal guarantee	**49,332**	43,050

(iii) Compensation of key management personnel

The remuneration of key management members, who are the directors of the Group during the year, was as follows:

	2012 HK$'000	2011 HK$'000
Short term benefits	**8,260**	8,460
Post-employment benefits	**240**	240
	8,500	8,700

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

46. RELATED PARTY TRANSACTIONS (continued)

(c) Details of balances with related parties of the Group and the Company are set out in the Company's statement of financial position and the Group's consolidated statement of financial position on pages 57 to 59 and notes 22, 30 and 34 to the consolidated financial statements.

47. EVENT AFTER THE REPORTING PERIOD

On 7 January 2013, Sino Stride (HK) Limited ("Sino Stride HK"), a wholly-owned subsidiary of the Company, entered into a disposal agreement with the purchaser, Carrier Asia Limited ("Purchaser"), pursuant to which Sino Stride HK agreed to sell 20% of the registered capital of Sinostride Technology, to the Purchaser for a consideration of RMB58,300,000 (equivalent to approximately HK$71,969,000).

In addition, Sino Stride HK has granted a call option to the Purchaser under which the Purchaser will have the right to require Sino Stride HK and/or its affiliates, at any time during the period from 1 January 2015 to 31 December 2017, to sell to the Purchaser such percentage of its holding in Sinostride Technology to being the total equity interest of the Purchaser in the registered capital of Sinostride Technology to up to 75% (the "Call Option").

The price for the exercise of the Call Option will be the fair market value of the amount of the equity of Sinostride Technology being purchased at the time the Call Option is exercised. The fair market value will be determined by Sino Stride HK and the Purchaser, or if the parties are unable to agree on such value within 20 days of the date of notice for the exercise of the Call Option, the parties will jointly appoint a reputable accounting firm registered in the PRC to determine the value of the equity being purchased.

Details are set out in the Company's announcement on 7 January 2013. The disposal transaction was completed as at the date of this annual report. The Group is in the process of ascertaining the financial impact to the Group.

48. COMPARATIVE INFORMATION

Certain comparative information relating to the classification of certain expenses and losses of continuing or discontinued operations has been re-presented to conform to current year presentation in the consolidated statement of comprehensive income.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the years ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
(Loss) profit for the year attributable to:					
Owners of the Company	(30,745)	141,197	9,507	(148,642)	**(379,628)**
Non-controlling interests	5,134	1,755	(676)	4,970	**(15,919)**
	(25,611)	142,952	8,831	(143,672)	**(395,547)**
(Loss) earnings per share					
Basic (HK cents)	(1.60)	6.87	0.44	(6.79)	**(16.59)**
Diluted (HK cents)	–	–	–	–	**–**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	For the years ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,020,670	2,686,899	3,234,810	3,080,299	**2,548,311**
Total liabilities	(991,184)	(1,423,518)	(1,938,910)	(1,820,549)	**(1,426,030)**
	1,029,486	1,263,381	1,295,900	1,259,750	**1,122,281**
Equity attributable to owners of the Company	1,012,205	1,218,953	1,249,671	1,205,682	**1,077,880**
Non-controlling interests	17,281	44,428	46,229	54,068	**44,401**
	1,029,486	1,263,381	1,295,900	1,259,750	**1,122,281**