



SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

Stock Code : 521

INTERIM REPORT **2014**



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CORPORATE INFORMATION

Board of Directors	Li Shaofeng (<i>Non-executive Chairman</i>) Mung Kin Keung (<i>Executive Chairman</i>) Li Tongshuang (<i>Managing Director</i>) Mung Bun Man, Alan (<i>Executive Director</i>) Leung Shun Sang, Tony (<i>Non-executive Director</i>) Leung Kai Cheung (<i>Independent Non-executive Director</i>) Liem Chi Kit, Kevin (<i>Independent Non-executive Director</i>) Lam Kin Fung, Jeffrey (<i>Independent Non-executive Director</i>)
Executive Committee	Li Tongshuang (<i>Chairman</i>) Mung Kin Keung Mung Bun Man, Alan
Audit Committee	Leung Kai Cheung (<i>Chairman</i>) Liem Chi Kit, Kevin Lam Kin Fung, Jeffrey
Nomination Committee	Mung Kin Keung (<i>Chairman</i>) Leung Shun Sang, Tony Leung Kai Cheung Liem Chi Kit, Kevin Lam Kin Fung, Jeffrey
Remuneration Committee	Leung Kai Cheung (<i>Chairman</i>) Mung Kin Keung Leung Shun Sang, Tony Liem Chi Kit, Kevin Lam Kin Fung, Jeffrey
Investment Committee	Mung Kin Keung (<i>Chairman</i>) Li Tongshuang Mung Bun Man, Alan Leung Shun Sang, Tony Leung Kai Cheung
Company Secretary	Lau Lap Ngai



CORPORATE INFORMATION (continued)

Auditor	Deloitte Touche Tohmatsu
Legal Adviser	Robertsons
Share Registrars	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East 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

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Technology Holdings Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
	NOTES	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Continuing operations			
Revenue	3	89,737	95,759
Cost of sales		(78,719)	(81,023)
Gross profit		11,018	14,736
Other income		1,902	6,490
Other expenses		(3,650)	(6,853)
Other gains and losses	4	(97,524)	(72,246)
Selling and distribution costs		(2,022)	(3,276)
Administrative expenses		(20,997)	(33,866)
Finance costs		(34,467)	(34,244)
Loss before tax		(145,740)	(129,259)
Income tax expense	6	(820)	(10,556)
Loss for the period from continuing operations		(146,560)	(139,815)
Discontinued operation			
Loss for the period from discontinued operation	7	(78,877)	(74,343)
Loss for the period	8	(225,437)	(214,158)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss:		
Exchange difference arising on translation of financial statements from functional currency to presentation currency	(23,970)	38,306
Share of translation differences of associates	–	62
	(23,970)	38,368
Items that may be subsequently reclassified to profit or loss:		
<i>Available-for-sale investments</i>		
Fair value loss on available-for-sale investments	(2,323)	(15,793)
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments	2,323	15,793
	–	–
Other comprehensive (expense) income for the period	(23,970)	38,368
Total comprehensive expense for the period	(249,407)	(175,790)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2014

		Six months ended 30 June	
	NOTE	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Loss for the period attributable to the owners of the Company			
– from continuing operations		(132,817)	(112,400)
– from discontinued operation		(78,877)	(74,343)
Loss for the period attributable to the owners of the Company		(211,694)	(186,743)
Loss for the period attributable to non-controlling interests from continuing operations		(13,743)	(27,415)
		(225,437)	(214,158)
Total comprehensive expense attributable to:			
Owners of the Company		(233,975)	(150,487)
Non-controlling interests		(15,432)	(25,303)
		(249,407)	(175,790)
LOSS PER SHARE			
From continuing and discontinued operations	10		
Basic and diluted (HK cents)		(7.36)	(6.94)
From continuing operations			
Basic and diluted (HK cents)		(4.62)	(4.18)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment	11	316,273	11,552
Prepaid lease payments	24	1,303,707	–
Intangible assets		1,884	2,955
Other receivables	13	37,374	40,262
Loan to an investee	16(c)	–	83,291
Investments in associates		–	2,563
Available-for-sale investments	14	887	7,639
Club debentures		700	700
Advance to a Shareholder	15	597,282	–
Amounts due from related parties	15	74,909	–
		2,333,016	148,962
Current Assets			
Prepaid lease payments	24	46,561	–
Advance to a Shareholder	15	25,004	–
Inventories		16,205	9,601
Trade and bills receivables	16(a)	82,110	55,927
Prepayments, deposits and other receivables	16(b)	151,720	125,768
Amounts due from customers for contract work	17	248,205	314,818
Tax recoverable		2,001	693
Pledged bank deposits		22,611	24,101
Bank balances and cash		40,637	5,648
		635,054	536,556
Disposal group classified as held-for-sale	7	1,286,047	1,383,952
		1,921,101	1,920,508

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2014

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current Liabilities			
Trade and bills payables	18(a)	132,577	144,993
Other payables, deposits received, receipt in advance and accruals	18(b)	113,101	122,971
Amounts due to customers for contract work	17	7,756	–
Borrowings – due within one year	19	266,402	128,012
Advance from a Shareholder	15	30,000	–
Amounts due to related parties	15	20,747	–
Convertible loan notes and related payables	20	153,431	264,660
Embedded derivative components of convertible loan notes	20	23,639	24,914
Tax liabilities		22,072	8,261
Financial guarantee liabilities	22	3,734	2,283
Deferred revenue		33,940	–
		807,399	696,094
Liabilities associated with disposal group classified as held-for-sale	7	393,235	489,132
		1,200,634	1,185,226
Net Current Assets		720,467	735,282
Total Assets less Current Liabilities		3,053,483	884,244
Non-current Liabilities			
Deferred revenue		265,790	–
Borrowings – due after one year	19	460,074	–
Promissory note	24	585,000	–
Deferred tax liabilities		272,183	–
		1,583,047	–
Net Assets		1,470,436	884,244



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2014

	NOTE	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Capital and Reserves			
Share capital	21	1,709,893	673,035
Reserves		(740,925)	128,172
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale		11,910	12,768
Equity attributable to owners of the Company		980,878	813,975
Non-controlling interests		489,558	70,269
Total Equity		1,470,436	884,244

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company										Attributable to non-controlling interests	Total	
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000 (Note a)	Translation reserve HK\$'000	Capital reserve HK\$'000 (Note b)	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale HK\$'000			Sub-total HK\$'000
At 1 January 2013 (audited)	673,035	802,454	2,084	360	81,262	53,690	-	38,614	(583,697)	10,078	1,077,880	44,401	1,122,281
Loss for the period	-	-	-	-	-	-	-	-	(186,743)	-	(186,743)	(27,415)	(214,158)
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	30,794	-	-	-	-	5,400	36,194	2,112	38,306
Share of translation differences of associates	-	-	-	-	62	-	-	-	-	-	62	-	62
Fair value loss on available-for-sale investments	-	-	-	-	-	-	(15,793)	-	-	-	(15,793)	-	(15,793)
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments	-	-	-	-	-	-	15,793	-	-	-	15,793	-	15,793
Total comprehensive income (expense) for the period	-	-	-	-	30,856	-	-	-	(186,743)	5,400	(150,487)	(25,303)	(175,790)
Disposal of partial interest in a subsidiary (note 5)	-	-	-	-	(8,081)	-	-	-	20,240	-	12,159	59,810	71,969
Income tax effect on disposal of partial interest in a subsidiary (note 5)	-	-	-	-	-	-	-	-	(1,215)	-	(1,215)	-	(1,215)
Subtotal	-	-	-	-	(8,081)	-	-	-	19,025	-	10,944	59,810	70,754
At 30 June 2013 (unaudited)	673,035	802,454	2,084	360	104,037	53,690	-	38,614	(751,415)	15,478	938,337	78,908	1,017,245



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2014

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000 (Note a)	Translation reserve HK\$'000	Capital reserve HK\$'000 (Note b)	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale HK\$'000	Sub-total HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	673,035	802,454	2,084	360	114,020	53,690	-	31,885	(876,321)	12,768	813,975	70,269	884,244
Loss for the period	-	-	-	-	-	-	-	-	(211,694)	-	(211,694)	(13,743)	(225,437)
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	(21,423)	-	-	-	-	(858)	(22,281)	(1,689)	(23,970)
Fair value loss on available-for-sale investments	-	-	-	-	-	-	(2,323)	-	-	-	(2,323)	-	(2,323)
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments	-	-	-	-	-	-	2,323	-	-	-	2,323	-	2,323
Total comprehensive expense for the period	-	-	-	-	(21,423)	-	-	-	(211,694)	(858)	(233,975)	(15,432)	(249,407)
Shares issued	156,130	-	-	-	-	-	-	-	-	-	156,130	-	156,130
Exercise of conversion option of a convertible loan notes (note 20)	22,500	-	-	-	-	-	-	-	-	-	22,500	-	22,500
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	858,228	(802,454)	(2,084)	-	-	(53,690)	-	-	-	-	-	-	-
Acquisition of a subsidiary (note 24)	-	-	-	-	-	222,248	-	-	-	-	222,248	434,721	656,969
At 30 June 2014 (unaudited)	1,709,893	-	-	360	92,597	222,248	-	31,885	(1,088,015)	11,910	980,878	489,558	1,470,436

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2014

Notes:

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

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

These subsidiaries are also required to transfer 5% of the profit after tax (as determined under the management of the relevant subsidiaries and in accordance with PRC generally accepted accounting principles) to the enterprise development fund. The fund can only be used for development of the enterprise and is not available for distribution to shareholders. No such transfer was made during both periods.

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

The amount credited in current period represents deemed capital contribution from a substantial shareholder as further disclosed in Note 24.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(52,263)	(86,600)
INVESTING ACTIVITIES			
Placement of pledged bank deposits		(22,625)	(846)
Withdrawal of pledged bank deposits		23,602	189,630
Deposit refunded to Guang Hua relating to disposal group classified as held-for-sale		(50,000)	–
Purchase of property, plant and equipment		(1,189)	(20,626)
Proceeds from disposal of property, plant and equipment		46	1
Settlement of deferred consideration/consideration for disposal of subsidiaries in prior years		–	7,400
Acquisition of a subsidiary, net of cash acquired	24	4,013	–
Interest received		84	6,541
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(46,069)	182,100
FINANCING ACTIVITIES			
New bank loans raised		100,838	223,658
Advance from a Shareholder		30,000	–
Loans from third parties		123,251	–
Loan from a director		5,000	–
Loan from a related party		–	77,647
Proceeds from partial disposal of a subsidiary	5	–	71,969
Repayments of bank loans		(163,899)	(375,145)
Repayments to a related party		–	(77,647)
Repayments to loans from third parties		(28,000)	–
Repayment of principal of convertible loan notes		(90,000)	–
Proceeds from issue of shares		156,130	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		133,320	(79,518)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,988	15,982
CASH AND CASH EQUIVALENTS AT 1 JANUARY	5,711	13,555
Effect of foreign exchange rate changes	140	(408)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	40,839	29,129
Represent by:		
Bank balances and cash	40,637	26,742
Cash and cash equivalents included in a disposal group held-for-sale	202	2,387
	40,839	29,129



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

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

The Group had net current liabilities (excluding assets and liabilities associated with disposal group classified as held-for-sale) of approximately HK\$172,345,000 as at 30 June 2014 of which approximately HK\$266,402,000 were attributable to borrowings due within one year and approximately HK\$153,431,000 were attributable to convertible loan notes and related payables due within one year. In addition, disposal group classified as held-for-sale included current liabilities of HK\$1,436,713,000 of which bank borrowings due within one year amounted to HK\$187,155,000. Taking into account the financial resources of the Group, including its unutilised banking facilities, its ability to renew or refinance the banking facilities upon maturity and financial support from a substantial shareholder (as defined in the Listing Rules) of the Company, HNA Group (International) Company Limited (“HNA International” or “a Shareholder”), a company incorporated in Hong Kong with limited liability, the directors of the Company (the “Directors”) are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013. In addition, the following new accounting policies became applicable to the Group during the current interim period subsequent to acquisition of Hillview Group (as defined in note 24).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue from golf club operations

The initial membership fee is amortised on a straight-line basis based on the remaining period to the expiry date of business license of the golf club of the Group and the unamortised initial membership fee is recognised as deferred revenue. The monthly membership fee and the service income related to the usage of golf club's facilities are recognised when services are provided.

Revenue from hotel and leisure operations

Revenue from hotel and leisure operations comprising hotel accommodation, food and beverages are recognised when the services are rendered.

Deferred revenue

Deferred revenue represents the unamortised portion of initial membership fees.

Leasehold land

Interest in leasehold land that is accounted for an operating lease is presented as "prepaid lease payments" in the condensed consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that classified and accounted for as investment properties under the fair value model.

Substantial modification of a financial liability

Modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 percent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of HK(IFRIC) – Int 21 and other new amendments to HKFRSs in the current interim period had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. 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 types of goods or services delivered or provided.

On 30 June 2014, the Group has completed the acquisition of the golf club and hotel business which is described in more detail in note 24 and the golf club and hotel business are reviewed by CODM in a single operating segment.

The Group’s reportable and operating segments from continuing operations under HKFRS 8 are as follows:

Intelligent information business	–	Provision of system value-added service solution and development and sales of hardware of computer products
Sales of light emitted diode products	–	Provision of system design, and sales of system hardware and light emitted diode products
Golf club and hotel business	–	Operation of golf club and provision of hotel and leisure services

Since 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 operation. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in note 7.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

3. 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 segments:

For the six months ended 30 June 2014 (unaudited)

Continuing operations

	Intelligent information business HK\$'000	Sales of light emitted diode products HK\$'000	Golf club and hotel business HK\$'000	Total HK\$'000
SEGMENT REVENUE				
External sales	89,665	72	–	89,737
Segment loss	(17,454)	(691)	–	(18,145)
Unallocated income and gains				612
Unallocated expenses				(17,550)
Impairment loss recognised in respect of available-for-sale investments				(6,636)
Impairment loss recognised in respect of a loan to an investee				(81,523)
Gain on fair value change of the derivative components of convertible loan notes				25,308
Losses on financial guarantee contracts				(14,502)
Amortisation of financial guarantee contracts				1,163
Finance costs				(34,467)
Loss before tax (continuing operations)				(145,740)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the six months ended 30 June 2013 (unaudited)

Continuing operations

	Intelligent information business HK\$'000	Sales of light emitted diode products HK\$'000	Total HK\$'000
SEGMENT REVENUE			
External sales	93,121	2,638	95,759
Segment loss	(90,674)	(3,183)	(93,857)
Unallocated income and gains			4,667
Unallocated expenses			(18,699)
Impairment loss recognised in respect of available-for-sale investments			(15,793)
Gain on fair value change of the derivative components of convertible loan notes			28,991
Loss on financial guarantees contracts			(4,739)
Amortisation of financial guarantee contracts			4,415
Finance costs			(34,244)
Loss before tax (continuing operations)			(129,259)

Segment loss represents the loss from each segment without allocation of bank interest income, rental income, 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 for the six months ended 30 June 2014 and 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable and operating segments:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Continuing operations		
reportable segment assets		
Intelligent information business	529,977	557,301
Sales of light emitted diode products	4,251	4,275
Golf club and hotel business	1,669,811	–
Continuing operations		
reportable segment liabilities		
Intelligent information business	201,050	204,957
Sales of light emitted diode products	15,336	13,007
Golf club and hotel business	336,778	–

Reportable segment assets of golf club and hotel business include property, plant and equipment, prepaid lease payments, inventories, trade receivables and prepayments, deposits and other receivables.

Reportable segment liabilities of golf club and hotel business include trade payables, other payables, deposits received, receipt in advance and accruals and deferred revenue.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Continuing operations		
Impairment loss recognised in respect of receivables from the Developer (defined and explained in <i>note 13</i>)	(3,735)	–
Gain on fair value change of the derivative components of convertible loan notes (<i>note 20</i>)	25,308	28,991
Impairment loss recognised in respect of a loan to an investee (<i>note 16(c)</i>)	(81,523)	–
Impairment loss recognised in respect of goodwill (<i>note 12</i>)	–	(70,188)
Impairment loss recognised in respect of other receivables	–	(357)
Impairment loss recognised in respect of trade receivables	(5,422)	(342)
Impairment loss recognised in respect of available-for-sale investments (<i>note 14</i>)	(6,636)	(15,793)
Impairment loss recognised in respect of amounts due from customers for contract work (<i>note 17</i>)	(12,267)	(13,556)
Net exchange loss	(679)	(611)
Losses on financial guarantee contracts (<i>note 22</i>)	(14,502)	(4,739)
Amortisation of financial guarantee contracts	1,163	4,415
Gain (loss) on disposal of property, plant and equipment	4	(98)
Others	765	32
	(97,524)	(72,246)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

5. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

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”), a non-controlling shareholder of Sino Stride Technology Company, Limited (“SST”), which is a subsidiary of Sino Stride HK that is involved in the development and provision of system integration solutions, system design and sales of system hardware, pursuant to which Sino Stride HK agreed to sell to Carrier Asia 20% of the registered capital of SST, for a cash consideration of RMB58,300,000 (equivalent to approximately HK\$71,969,000).

The transaction was completed on 17 January 2013, and the Group’s equity interest in SST was reduced from 78.5% to 58.5% upon completion. After completion of disposal of partial interest in SST, the Directors made an assessment of control over SST and consider that the Group still maintained control over SST in accordance with the definition of control and the related guidance set out in HKFRS 10.

The disposal of partial interest in SST was accounted for as an equity transaction, resulting in net amount of HK\$20,240,000 (less income tax effect of approximately HK\$1,215,000) being recognised in accumulated losses.

Pursuant to the relevant tax laws in the PRC, the Group had provided capital gain tax of approximately HK\$4,483,000 arising from the disposal of SST based on 10% of the difference between the cash consideration and 20% of registered capital of SST, of which HK\$1,215,000 and HK\$3,268,000 was recognised in equity and profit or loss, respectively.

In addition, Sino Stride HK has granted a call option to Carrier Asia whereby Carrier Asia has a right to acquire up to 75% of the registered capital of SST from Sino Stride HK and/or its affiliates during the period from 1 January 2015 to 31 December 2017 (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 SST being purchased at the time the Call Option is exercised. The fair market value will be determined by Sino Stride HK and Carrier Asia 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. The fair value of the Call Option at the initial recognition, 31 December 2013 and 30 June 2014 is considered as insignificant.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	820	4,277
Underprovision in prior periods:		
EIT	–	6,279
Income tax expense	820	10,556

For the six months ended 30 June 2014 and 2013, no provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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. No specific deduction is entitled on the applicable tax rate for the six months ended 30 June 2014 and 2013.

In addition, a wholly-owned PRC subsidiary of the Group was granted certain tax benefits since 2008 to 2012 while the Directors have changed the operating plan since 2010 and shrunk its business afterwards. During the six months ended 30 June 2013, the PRC tax authority disallowed the tax benefits previously granted to that subsidiary and an additional tax charge of RMB5,000,000 (approximately HK\$6,279,000) was imposed in relation to prior years and reported as underprovision of tax in 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

Digital television (“DTV”) business

The loss for the period from the discontinued operation is analysed as follows:

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	–	–
Cost of sales	(60,298)	(59,610)
Gross loss	(60,298)	(59,610)
Other income	191	1,207
Other gains and losses	(5,512)	79
Administrative expenses	(2,881)	(3,697)
Finance costs	(10,377)	(12,322)
Loss before tax	(78,877)	(74,343)
Income tax expense	–	–
Loss for the period from discontinued operation and attributable to owners of the Company	(78,877)	(74,343)

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

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Property, plant and equipment	668,569	736,926
Investment properties	48,128	49,329
Goodwill	13,854	14,200
Intangible assets	352,856	372,734
Trade receivables	175,736	180,122
Prepayments and other receivables	24,559	28,368
Restricted bank balance (note)	2,143	2,210
Bank balances and cash	202	63
Total assets classified as held-for-sale	1,286,047	1,383,952



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

Digital television ("DTV") business (continued)

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade and bills payables	24,191	26,602
Other payables and accruals	21,683	26,696
Tax liabilities	93,945	96,289
Bank borrowings	253,416	339,545
Amounts due to group entities	1,109,739	1,036,425
Total liabilities associated with disposal group classified as held-for-sale	1,502,974	1,525,557
Less: Amounts due to group entities	(1,109,739)	(1,036,425)
Liabilities associated with disposal group classified as held-for-sale	393,235	489,132
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	11,910	12,768

For presentation in the condensed consolidated statement of financial position as at 30 June 2014, the amounts due to group entities amounting to HK\$1,109,739,000 (31 December 2013: HK\$1,036,425,000) has been excluded from the total liabilities associated with disposal group classified as held-for-sale.

Note: The restricted bank balance represented frozen money as ruled by the PRC court in respect of a legal proceeding between the Group and its supplier for services received.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

Digital television (“DTV”) business (continued)

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

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Amortisation of intangible assets (included in cost of sales)	10,836	10,850
Depreciation of property, plant and equipment	51,558	50,915
Bank interest income	(3)	–
Rental income from leasing of property, plant and equipment	(23)	(132)
Rental income from leasing of investment properties	(165)	(1,075)

Cash flows for the period from the discontinued operation were as follows:

	HK\$'000
30 June 2014 (unaudited)	
Net cash outflows used in operating activities	(19,481)
Net cash outflows used in investing activities	(1,137)
Net cash inflows from financing activities	20,757
Net cash inflows	139
30 June 2013 (unaudited)	
Net cash outflows used in operating activities	(34,117)
Net cash outflows used in investing activities	(18,567)
Net cash inflows from financing activities	54,878
Net cash inflows	2,194



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

Digital television (“DTV”) business (continued)

As disclosed in the Company’s 2010 to 2013 annual reports, the Company had been advised by Southern Media Corporation, 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). 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 and is required to exit the DTV business.

On 23 December 2011, the Group entered into a sales agreement with Guang Hua Resources Investments Company Limited (“Guang Hua”), an independent third party (the “Guang Hua Sales Agreement”), 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 (“Yijiatong”), South China Digital Equipment Company Limited, and South China DTV Technology Development Limited (collectively referred as the “DTV Disposal Group”). The disposal of DTV Disposal Group was subject to the approval of the shareholders of the Company and Guangdong Southern Yinshi Network Media Company Limited (“Southern Yinshi”). On 25 May 2012, the disposal of DTV Disposal Group had been approved by the shareholders of the Company.

At 31 December 2012, the recoverable amount of the DTV Disposal Group, based on the estimated net proceeds from the disposal pursuant to the Guang Hua Sales Agreement, was expected to exceed the carrying amounts of the DTV Disposal Group and accordingly, no impairment loss had been recognised. As disclosed in the Company’s announcement dated 2 July 2013, the approval from Southern Yinshi had not yet been obtained. The Group and Guang Hua could not agree upon extension of the time for fulfilment or waiver of such approval. As a result, the Guang Hua Sales Agreement lapsed on 30 June 2013.

Due to the delay in completing the disposal, the Directors initiated discussion with Guangdong Network and are seeking for a potential buyer for the disposal of the DTV Disposal Group. In 2013, Guangdong Network, Yijiatong and another state-owned enterprise jointly engaged a valuer in the PRC to perform valuation of the DTV Disposal Group. There is no formal sales agreement and no valuation of the DTV Disposal Group has been concluded as at the date of this report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

Digital television (“DTV”) business (continued)

The Directors are still committed to sell the DTV Disposal Group and consider the disposal transaction remains highly probable as the policy of the Reform remains unchanged and Reform is still ongoing. However, no formal sale agreement has been signed up to the date of this report. The Directors consider it is appropriate that the DTV Disposal Group is continued to be classified as held-for-sale in the condensed consolidated statement of financial position as at 30 June 2014.

As at 30 June 2014, the net assets value of the DTV Disposal Group included in the condensed consolidated financial statements (the “Net Assets Value of the DTV Disposal Group”) amounted to HK\$892,812,000 (31 December 2013: HK\$894,820,000) and the Directors are confident that the recoverable amount of the DTV Disposal Group would not be less than the Net Assets Value of the DTV Disposal Group.

(i) Revenue

As mentioned above, the Group is no longer able to operate the DTV business under the existing structure and no longer entitled to own the operation rights in providing multi-media information services based on cabled DTV network in the Guangdong Province in return of certain percentage of technical service income generated from Southern Yinshi and local DTV project companies. Thus, there is no revenue recognised for both periods.

(ii) Property, plant and equipment

For the six months ended 30 June 2014, DTV Disposal Group acquired property, plant and equipment of approximately HK\$1,153,000 (six months ended 30 June 2013: HK\$18,756,000) to operate its DTV business.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

Digital television (“DTV”) business (continued)

(iii) Investment properties at fair value

The fair values of the investment properties of DTV business at 30 June 2014 have been estimated by the Directors with reference to recent market prices for similar properties in same locations and conditions.

The fair values of the investment properties of DTV business at 31 December 2013 had been arrived at on the basis of a valuation carried out on that date by Messrs. Guangdong Junghua Asset & Real Estate Appraisal Co., Ltd., 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 medium-term lease in the PRC to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

(iv) Trade receivables

An aged analysis of the trade receivables associated with DTV Disposal Group classified as held-for-sale at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts, is as follows:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
1 – 2 years	–	72,502
Over 2 years	175,736	107,620
	175,736	180,122

Included in assets held-for-sale are trade receivables with an aggregate carrying amount of approximately HK\$175,736,000 (31 December 2013: HK\$180,122,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

Digital television (“DTV”) business (continued)

(v) Trade and bills payables

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

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 – 90 days	245	24,942
181 – 365 days	22,367	1,254
1 – 2 years	1,182	401
Over 2 years	397	5
	24,191	26,602

(vi) Bank borrowings

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Carrying amount repayable:		
Within one year	187,155	198,975
More than one year, but not exceeding two years	66,261	114,942
More than two years, but not exceeding five years	–	25,628
	253,416	339,545
Secured	67,136	102,486
Unsecured	186,280	237,059
	253,416	339,545



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

Digital television (“DTV”) business (continued)

(vi) Bank borrowings (continued)

During the six months ended 30 June 2014, there was no new loan associated with DTV Disposal Group classified as held-for-sale obtained by the Group (six months ended 30 June 2013: HK\$67,436,000, which are guaranteed by the Company).

During the six months ended 30 June 2014, the Group repaid bank borrowings amounting to approximately HK\$78,112,000 (six months ended 30 June 2013: HK\$12,558,000). The bank borrowings of the DTV Disposal Group are variable rate borrowings which carry interest at two to three years benchmark interest rate of the People’s Bank of China with 20% (31 December 2013: 20%) mark up and are repayable in 2015 and 2016 (31 December 2013: repayable in 2014 to 2015).

The secured bank borrowings are pledged by the investment properties and property, plant and equipment of the DTV Disposal Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

8. LOSS FOR THE PERIOD

Loss for the period from continuing operations has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Continuing operations		
Amortisation of intangible assets	1,004	1,004
Depreciation of property, plant and equipment	1,414	1,547
Total depreciation and amortisation	2,418	2,551
Research and development expenses (included in other expenses)	122	2,872
Acquisition related costs for the golf club and hotel business (included in other expenses)	3,528	–
Penalties charged by PRC State Administration of Foreign Exchange (included in other expenses) (note)	–	3,981
Bank interest income	(81)	(4,666)
Imputed interest income in respect of other receivables (note 13)	(1,821)	(1,824)

Note: During the six months ended 30 June 2013, a penalty charge of approximately HK\$3,981,000 was imposed to the Group due to non-compliance of Regulations on Foreign Exchange System of PRC in relation to designate use of capital injection of a wholly-owned subsidiary in the PRC and the amount was fully settled during the six months ended 30 June 2013.

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

10. 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:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	211,694	186,743
	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	2,876,372	2,692,141

The computation of diluted loss per share does not assume exercise of share options and conversion of convertible loan notes for the six months ended 30 June 2014 and 2013 because the assumed exercise of share options and conversion of convertible loan notes would result in decrease in loss per share from continuing operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

10. LOSS PER SHARE (continued)

From continuing operations

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

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Loss figures are calculated as follows:		
Loss for the period attributable to the owners of the Company	211,694	186,743
Less: Loss for the period from discontinued operation attributable to the owners of the Company	78,877	74,343
Loss for the purposes of basic and diluted loss per share from continuing operations	132,817	112,400

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

10. LOSS PER SHARE (continued)

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK2.74 cents per share (six months ended 30 June 2013: HK2.76 cents per share).

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

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	78,877	74,343

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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2014, the Group incurred approximately HK\$36,000 (six months ended 30 June 2013: HK\$1,870,000) on acquisition of property, plant and equipment to operate its businesses under continuing operations.

For the six months ended 30 June 2014, there was an addition of property, plant and equipment of approximately HK\$306,396,000 through acquisition of the golf club and hotel business (note 24). The property, plant and equipment acquired are categorised as buildings, leasehold improvements, plant and machinery and motor vehicles which are depreciated as a straight-line basis over their estimated remaining useful lives ranging from 1.6 years to 9 years after taking into account their residual values. Properties amounting to HK\$205,659,000 are pledged to banks for securing the banking facilities of Dongguan Hillview Golf Company Limited ("DG Hillview").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (continued)

For the six months ended 30 June 2014, the Group disposed of certain equipment with an aggregate carrying amount of HK\$42,000 (six months ended 30 June 2013: HK\$99,000) for cash proceeds of HK\$46,000 (six months ended 30 June 2013: HK\$1,000), resulting in a gain on disposal of HK\$4,000 (six months ended 30 June 2013: loss on disposal of HK\$98,000).

In the current interim period, the Directors carried out impairment assessment in relation to the Group's property, plant and equipment (other than those arising from the acquisition of Hillview Group as disclosed in note 24) and determined that there was no impairment on the property, plant and equipment.

12. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to one cash generating unit (CGU), comprising a subsidiary in the intelligent information business segment, SST.

Goodwill of HK\$13,854,000 (31 December 2013: HK\$14,200,000) relating to DTV business was classified as held-for-sale as at 30 June 2014 as detailed in note 7.

In reassessing the goodwill impairment for the six months ended 30 June 2013, the Directors expected that the development of the intelligent information business would slow down and the future revenue to be generated from SST was expected to decline due to the tightening of spending in relation to intellectual properties by certain government related entities. As such, the estimated future cash inflows of SST had been revised accordingly.

The Group made a full impairment loss on goodwill of HK\$70,188,000 in respect of this CGU for the six months ended 30 June 2013.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

13. OTHER RECEIVABLES

The amount originally represented deposit amounting to RMB35,000,000 (equivalent to approximately HK\$40,600,000 based on exchange rate prevailing as at 31 December 2010) 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 (“Developer”) dated 11 February 2010 (“Agreement”). The deposit carried interest at 10% per annum. Pursuant to the Agreement, if the transfer 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, computed using the original effective rate of 10% per annum is required and recognised in profit or loss in 2012. In current interim period, the Directors further negotiated with the Developer and considered that the deposit will be recovered in 2016. Due to expected delay in repayment, the carrying amount of the other receivable was adjusted downward, resulting in an impairment loss of approximately HK\$3,735,000 (six months ended 30 June 2013: nil) being charged to profit or loss in the current period and reported in other gains and losses. For the six months ended 30 June 2014, the Group recognised imputed interest income of HK\$1,821,000 (six months ended 30 June 2013: HK\$1,824,000) in profit or loss and reported under other income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

14. AVAILABLE-FOR-SALE INVESTMENTS

The unlisted equity investments that are measured at fair value and at cost less impairment comprised of:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Unlisted equity investments:		
– Measure at fair value (note a)	–	2,323
– Measure at cost less impairment (note b)	887	5,316
	887	7,639

Notes:

- (a) It represents the Group's 19% equity interest in Success East Investment Limited ("Success East"), an entity incorporated in Hong Kong and principally involved in investment in securities, which is measured at fair value.

The fair value of interest in Success East as at 30 June 2014 continued to decline which is mainly attributable to the fair value loss of the underlying financial assets held by Success East. For the six months ended 30 June 2014, impairment loss of HK\$2,323,000 (six months ended 30 June 2013: HK\$15,793,000) was made in profit or loss.

- (b) It represents the Group's 19% equity interest in Wuxi Remarkable Mask Limited (無錫中微掩模電子有限公司) ("Wuxi Remarkable"), a company registered in the PRC, and 7.5% equity interest in Zhejiang Century Concord Energy-saving Technology, Co., Ltd. (浙江世紀協和節能科技有限公司) ("Zhejiang Century"), a company registered in the PRC.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

14. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(i) Wuxi Remarkable

At 31 December 2013, the investment in Wuxi Remarkable is stated at cost amounting to RMB3,439,000 (equivalent to approximately HK\$4,407,000 based on exchange rate prevailing at 31 December 2013) as the Directors considered that the fair value cannot be measured reliably. During the six months ended 30 June 2014, the Group recognised full impairment loss of HK\$4,313,000, together with a loan granted to the investee as disclosed in note 16(c), as the Directors are of the opinion that the carrying amount of the investment is not probable to be recovered.

(ii) Zhejiang Century

The investment in Zhejiang Century is stated at cost as the Directors considered that the fair value cannot be measured reliably. No impairment is considered as necessary at 30 June 2014.

15. ADVANCE FROM/TO A SHAREHOLDER AND AMOUNTS DUE FROM/TO RELATED PARTIES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Interest-bearing advance to a Shareholder (<i>note a</i>)	462,574	–
Interest receivables on advance to a Shareholder (<i>note a</i>)	118,939	–
Interest-free advance to a Shareholder (<i>note b</i>)	40,773	–
	622,286	–
Less: Advance to a Shareholder repayable within one year shown under current assets (<i>note a</i>)	(25,004)	–
Advance to a Shareholder shown under non-current assets	597,282	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

15. ADVANCE FROM/TO A SHAREHOLDER AND AMOUNTS DUE FROM/TO RELATED PARTIES (continued)

Notes:

- (a) The advance to a Shareholder of HK\$462,574,000 carried interest at 9% per annum and at 30 June 2014, based on the agreed repayment terms, HK\$25,004,000 were classified as current assets and the remaining amounts of HK\$437,570,000 were classified as non-current assets respectively. The advance to a Shareholder and the related interest are unsecured and repayable from 2014 to 2017.

The amounts of HK\$118,939,000 at 30 June 2014 represented the interest receivables arising from the advance to a Shareholder and will be settled in 2017.

- (b) The advance to a Shareholder is unsecured, interest-free and has no fixed repayment terms. The Directors considered the amount will not be settled within the next twelve months after the end of reporting period, and thus classified it as non-current asset.

As at 30 June 2014, the advance from a Shareholder of HK\$30,000,000 is unsecured, interest free and repayable on demand. This amount has been settled after 30 June 2014.

In addition, as at 30 June 2014, the amounts due from/to related parties represented the amounts due from/to subsidiaries of a Shareholder. These amounts represent the payments received by or made by these related parties in relation to the sales of golf club membership and purchases of inventories on behalf of DG Hillview. These amounts are unsecured, non-interest bearing and repayable on demand.

The Directors considered the amounts due from related parties will not be settled within the next twelve months after the end of reporting period, and thus classified it as non-current asset. As at 30 June 2014, the amounts due from related parties with principal amount of HK\$89,631,000 is measured at amortised cost using an effective interest rate of 9% per annum.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

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

(a) Trade and bills receivables

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 90 days 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:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 – 90 days	56,565	15,787
91 – 180 days	1,657	15,084
181 – 365 days	15,472	18,898
1 – 2 years	4,827	4,682
Over 2 years	3,589	1,476
	82,110	55,927

(b) Prepayments, deposits and other receivables

At 30 June 2014, the balance mainly included advances to suppliers in relation to intelligent information business of HK\$112,261,000, deposit for projects for intelligent information business of HK\$26,151,000 and advance to staff of HK\$4,957,000.

At 31 December 2013, the balance mainly included advances to suppliers in relation to intelligent information business of HK\$84,453,000, deposit for projects for intelligent information business of HK\$30,937,000 and advance to staff of HK\$4,047,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

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

(c) Loan to an investee

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 Wuxi Ledong Microelectronics Co., Ltd. (無錫樂東微電子有限公司) ("Ledong") pursuant to which Tiger Information provided a loan of RMB65,000,000 (equivalent to HK\$81,263,000 based on exchange rate prevailing as at 30 June 2014) 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. Such loan is unsecured, non-interest bearing. At 31 December 2013, the Directors considered that Wuxi Remarkable has the ability to settle the loan and its recoverability is probable. The amount will not be recoverable within one year and hence classified as non-current assets as at 31 December 2013. During the current interim period, the Directors has requested for a settlement plan and financial information of Wuxi Remarkable, however, Wuxi Remarkable did not have any response on the settlement plan nor provide any financial information. Despite the Directors will continue to take appropriate action to recover the loan, the Directors are of the opinion that the recovery of the outstanding balance is no longer probable and the entire amount has been impaired.

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Contract costs incurred plus recognised profits less recognised losses	1,581,742	1,577,081
Less: Progress billings	(1,341,293)	(1,262,263)
	240,449	314,818
Analysed for reporting purposes as:		
Amounts due from contract customers	248,205	314,818
Amounts due to contract customers	(7,756)	–
	240,449	314,818



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK (continued)

At 30 June 2014, certain contract work amounting to approximately HK\$6,204,000 (31 December 2013: HK\$3,580,000) 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 30 June 2014, retentions held by customers for contract work of approximately HK\$1,370,000 (31 December 2013: HK\$980,000) 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.

Based on the assessment of the Directors, certain contract works have been suspended or have not been compromised with the customers on amount of final billing nor issuance of certified completion reports, as such the related carrying amounts of contract works are not probable to recover. For the six months ended 30 June 2014, an impairment loss of amounts due from customers for contract work of approximately HK\$12,267,000 (six months ended 30 June 2013: HK\$13,556,000) was recognised.

18. TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED, RECEIPT IN ADVANCE 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:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 – 90 days	40,883	58,966
91 – 180 days	19,940	18,997
181 – 365 days	14,757	5,801
1 – 2 years	30,573	13,156
Over 2 years	26,424	48,073
	132,577	144,993

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

18. TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED, RECEIPT IN ADVANCE AND ACCRUALS (continued)

(b) Other payables, deposits received, receipt in advance and accruals

At 30 June 2014 and 31 December 2013, the balance mainly represented deposits received from suppliers and value added tax payable in relation to intelligent information business as well as accrued staff costs. At 31 December 2013, the balance also included the deposit received from Guang Hua related to the disposal of the DTV business of HK\$50,000,000 and this amount was refunded during the six months ended 30 June 2014.

19. BORROWINGS

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Bank borrowings – due within one year	166,151	128,012
Bank borrowings – due after one year	460,074	–
Loan from a director – due within one year	5,000	–
Loans from third parties – due within one year	95,251	–
	726,476	128,012
Less: Amounts due within one year under current liabilities	(266,402)	(128,012)
Amounts due after one year	460,074	–
Secured	486,328	–
Unsecured	240,148	128,012
	726,476	128,012

During the six months ended 30 June 2014, the Group obtained new bank borrowings, loan from a director and loans from third parties amounting to approximately HK\$100,838,000, HK\$5,000,000 and HK\$123,251,000 respectively (six months ended 30 June 2013: HK\$156,222,000 and HK\$77,647,000 from banks and a related party and nil from third parties respectively) and also repaid bank and borrowings from third parties amounting to approximately HK\$85,787,000 and HK\$28,000,000 respectively (six months ended 30 June 2013: HK\$362,587,000 and HK\$77,647,000 repaid to banks and a related party respectively). All the borrowings are interest bearing.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

20. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES

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 six months ended 30 June 2014 and 2013 are set out as follows:

	30 June 2014		30 June 2013	
	Debt component HK\$'000	Derivative components HK\$'000	Debt component HK\$'000	Derivative components HK\$'000
At 1 January (audited)	264,660	24,914	212,203	54,287
Interest charge	25,018	–	23,928	–
Interest paid	(462)	–	–	–
Gain on fair value changes	–	(25,308)	–	(28,991)
Exchange realignment	(144)	–	122	–
Derecognition of Convertible Bond I (including cumulative interests of HK\$58,550,000)	(174,800)	–	–	–
Recognition of New Convertible Bond I	100,267	24,033	–	–
Converted to shares	(22,500)	–	–	–
Principal paid	(90,000)	–	–	–
At 30 June (unaudited)	102,039	23,639	236,253	25,296
Interest payable of Convertible Bond I	50,500	–	–	–
Interest charge	892	–	–	–
At 30 June (unaudited)	51,392	–	–	–
Total	153,431	23,639	236,253	25,296

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

20. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES (continued)

On 5 June 2009, the Company issued a convertible bond for a principal amount of US\$15,000,000 (equivalent to approximately HK\$116,250,000) ("Convertible Bond I") to an independent third party, Templeton Strategic Emerging Markets Fund III, LDC ("Templeton"). Details of the major terms of the Convertible Bond I are disclosed in the Group's annual financial statements for the year ended 31 December 2013.

The original maturity date of the Convertible Bond I is on 5 June 2014. On 23 May 2014, the Company and Templeton entered into an agreement to extend the maturity date and conversion option expiry date of Convertible Bond I to the sixth anniversary of the date of issue of the Convertible Bond I (i.e. 5 June 2015). The Convertible Bond I shall not bear any interest and will be redeemed at its outstanding principal amount plus a premium of 8.5% per annum compounded annually at the maturity date of Convertible Bond I by the Company. The Convertible Bond I is denominated in United States dollars.

Pursuant to the resolution passed by the Directors on 7 April 2014, the maturity date and conversion option expiry date of the Convertible Bond I is extended by one year to 5 June 2015 ("New Maturity Date") under the supplemental agreement entered into between the Company and Templeton ("New Convertible Bond I"). Other terms and conditions of the New Convertible Bond I remain unchanged from the Convertible Bond I.

The New Maturity Date is considered to be a substantial modification of Convertible Bond I as the net present value of the cash flows of the New Convertible Bond I is more than 10% difference from the net present value of the cash flows of the outstanding Convertible Bond I prior to the extension of maturity date, which discounted at the original effective interest rate of 33.6% per annum. As such, Convertible Bond I was derecognised and New Convertible Bond I was recognised.

At 5 June 2014, the principal amount and cumulative interests of Convertible Bond I amounted to HK\$174,800,000 was derecognised. On initial recognition of New Convertible Bond I, the fair value of debt component and derivative components amounted to approximately HK\$100,267,000 and HK\$24,033,000, respectively, as well as fair value of interest payable of Convertible Bond I amounted to HK\$50,500,000, are recognised in the condensed consolidated statement of financial position. The fair value of New Convertible Bond I and interest payables approximately the carrying amounts of Convertible Bond I as at date of initial recognition, and accordingly no gain or loss is recorded. The effective interest rate of the debt component of New Convertible Bond I and interest payable of the Convertible Bond I is 25.88% per annum.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

20. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES (continued)

Binomial model is used for valuation of the derivative components of Convertible Bond I and New Convertible Bond I. The major inputs into the model were as follows:

	30 June 2014	5 June 2014	31 December 2013
Stock price	HK\$0.3	HK\$0.3	HK\$0.5
Exercise price	HK\$0.6	HK\$0.6	HK\$0.6
Volatility (note a)	57%	59%	60%
Dividend yield	0%	0%	0%
Option life	0.9 year	1 year	0.42 year
Risk free rate (note b)	0.12%	0.16%	0.10%

Notes:

- The volatility used in the model was determined with reference to the Company's historical volatility.
- The risk free rate used in the model was reference to US Sovereign yield at the end of the reporting period.

As at 30 June 2014, the carrying amount of the debt component of the New Convertible Bond I is approximately HK\$102,039,000 (Convertible Bond I as at 31 December 2013: HK\$156,095,000) and the fair value of the derivative components of New Convertible Bond I is approximately HK\$23,639,000 (Convertible Bond I as at 31 December 2013: HK\$5,332,000). The interest payable of Convertible Bond I is approximately HK\$51,392,000. At 30 June 2014, the New Convertible Bond I and interest payable of Convertible Bond I are classified as current liabilities. No conversion was noted for the six months ended 30 June 2014 and 2013.

On 11 April 2011, the Company issued another convertible bond for a principal amount of HK\$360,000,000 ("Convertible Bond II") to seven independent third parties (the "Convertible Bondholder") of which HK\$112,500,000 remained outstanding at 31 December 2013. Details of the major terms of the Convertible Bond II are disclosed in the Group's annual financial statements for the year ended 31 December 2013.

At 11 April 2014, the maturity date of Convertible Bond II, the Company redeemed part of the Convertible Bond II amounting to HK\$90,000,000 at its principal amount and Convertible Bondholder converted the remaining Convertible Bond II amounting to HK\$22,500,000 into 50,000,000 shares of the Company at conversion price of HK\$0.45. The issued shares are measured at the principal amount of HK\$22,500,000 as the market price of shares of the Company was less than the conversion price at the time of conversion.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 January 2013, at HK\$0.25 each	4,000,000,000	1,000,000
Increase on 18 June 2013 (note a)	16,000,000,000	4,000,000
At 31 December 2013 and 1 January 2014, at HK\$0.25 each	20,000,000,000	5,000,000
At 30 June 2014 (note)	N/A	N/A

Note: Under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

	Number of shares	Amount HK\$'000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 1 January 2014		
– Ordinary shares of HK\$0.25 each	2,692,141,179	673,035
Transfer from share premium, capital redemption reserve and capital reserve upon abolition of par value	–	858,228
Exercise of conversion option of a convertible loan note on 11 April 2014 (note b)	50,000,000	22,500
Issues of shares on 7 May 2014 (note c)	379,520,000	109,414
Issues of shares on 9 May 2014 (note d)	158,908,000	46,716
At 30 June 2014		
– Ordinary shares with no par value	3,280,569,179	1,709,893



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

21. SHARE CAPITAL (continued)

Notes:

- (a) On 18 June 2013, the shareholders of the Company approved the increase in the authorised share capital of the Company from HK\$1,000,000,000 divided into 4,000,000,000 ordinary shares to HK\$5,000,000,000 divided into 20,000,000,000 ordinary shares.
- (b) On 11 April 2014, the Company allotted and issued 50,000,000 shares, at a price of HK\$0.45 each to the Convertible Bondholder of Convertible Bond II. The new shares ranked pari passu with the existing shares in all respects.
- (c) On 25 April 2014, the Company conducted the top-up placing to issue a maximum of 379,520,000 shares at a price of HK\$0.3 each to independent third parties to raise funds of HK\$113.9 million (the "Top-up Placing"). The net proceeds of HK\$109.4 million from the Top-up Placing was used by the Company mainly for repayment of convertible bonds upon maturity. The new shares ranked pari passu with the existing shares in all respects.
- (d) On 29 April 2014, the Company entered into a placing agreement with a placing agent to place a maximum of 158,908,000 shares at a price of HK\$0.3 each to raise funds of HK\$47.7 million (the "Placing"). The net proceeds of HK\$46.7 million from the Placing was used by the Company primarily for repayment of borrowings. The new shares ranked pari passu with the existing shares in all respects.

22. CONTINGENT LIABILITIES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
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	104,392	126,218
– amount utilised	103,767	111,482

At 30 June 2014 and 31 December 2013, the Group entered into a cross guarantee arrangement with third parties whereby the third parties have also provided guarantee to banks in respect of SST's banking facilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

22. CONTINGENT LIABILITIES (continued)

During the six months ended 30 June 2014, the Group has provided additional or renewed the existing financial guarantees to the third parties and fair value of these financial guarantees is approximately HK\$2,675,000 (six months ended 30 June 2013: HK\$4,739,000) at initial recognition based on valuation performed by an independent valuer, Messrs. Vigers Appraisal & Consulting Limited ("Vigers"). At the end of the reporting period, an amount of HK\$3,734,000 (31 December 2013: HK\$2,283,000) has been recognised as liabilities in the condensed consolidated statement of financial position.

During the six months ended 30 June 2014, one of guarantees failed to repay the bank borrowings and the Group repaid the bank borrowings on its behalf. As such, the Group recognised a loss on financial guarantee contract amounting to approximately HK\$11,827,000.

At 30 June 2014, no further provision for financial guarantee contracts has been made as the Directors consider that the default risk of the remaining borrowers is low given they have strong financial positions.

23. SHARE-BASED PAYMENTS

On 29 May 2012, the Company terminated the share options scheme adopted on 7 June 2002 (the "2002 Scheme") and a new share option scheme (the "2012 Scheme") which was adopted at the annual general meeting held on 25 May 2012 became effective. Details of the 2002 Scheme and 2012 Scheme are disclosed on the Group's consolidated financial statements for the year ended 31 December 2013.

During the six months ended 30 June 2014 and 2013, no share option was granted, lapsed, forfeited or exercised under the 2012 Scheme.

The movement of the share options granted under the 2002 Scheme are as follows:

	Number of share options
Outstanding as at 1 January 2013	236,372,810
Lapsed during the year	(61,769,000)
<hr/>	
Outstanding as at 31 December 2013 and 1 January 2014	174,603,810
Lapsed during the period (<i>note</i>)	(15,982,000)
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Outstanding as at 30 June 2014	158,621,810

Note: These share options are granted on 18 March 2004 and lapsed upon expiry of exercisable period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

24. ACQUISITION OF A SUBSIDIARY

On 30 June 2014, the Group acquired the entire equity interest in Hillview Golf Development Company Limited (“Hillview”) which holds 65% equity interest in DG Hillview (together with Hillview referred to as “Hillview Group”) at a consideration of RMB585,000,000 (equivalent to approximately HK\$743,100,000) satisfied by issue of a promissory note. DG Hillview is principally engaged in the operations of a golf club and provision of hotel and leisure services in Guangdong Province, the PRC. The acquisition will enable the Group with ready access to the growing tourism industry in the PRC and to allow the Group with new business opportunities for investment and development.

Consideration transferred

	<i>HK\$'000</i>
Promissory note (<i>note</i>)	585,000

Note: The total consideration was satisfied by issue of a promissory note with a principal amount of HK\$743,100,000, which is non-interest bearing and will be matured on 30 June 2017. The fair value of the promissory note is approximately HK\$585,000,000. The fair value has been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 8.35% per annum based on valuation performed by Vigers.

Acquisition-related costs amounting to HK\$3,528,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the “other expenses” line item in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

24. ACQUISITION OF A SUBSIDIARY (continued)

Asset and liabilities recognised at the date of acquisition

	Fair value HK\$'000
Current assets	
Prepaid lease payments (note 1)	46,561
Inventories	8,191
Trade receivables (note 3)	2,613
Other receivables and prepayments (note 3)	2,343
Advance to a Shareholder (note 3)	25,004
Pledged bank deposits	58
Bank balances and cash	4,013
Non-current assets	
Property, plant and equipment	306,396
Prepaid lease payments (note 1)	1,303,707
Amounts due from related parties (note 4)	74,909
Advance to a Shareholder (note 3)	597,282
Deferred tax assets (note 2)	47,623
Current liabilities	
Trade payables	(6,872)
Other payables, receipt in advance and accruals	(30,176)
Deferred revenue	(33,940)
Amounts due to related parties	(20,747)
Tax liabilities	(13,072)
Borrowings – due within one year	(26,254)
Non-current liabilities	
Deferred revenue	(265,790)
Bank borrowings	(460,074)
Deferred tax liabilities (note 2)	(319,806)
Net assets	1,241,969

Notes:

1. Prepaid lease payments comprise of a medium-term leasehold land in the PRC. The prepaid lease payments are pledged for the banking facilities of DG Hillview.
2. For financial reporting purpose, the deferred tax assets and liabilities are offset and net amount of approximately HK\$272,183,000 is presented in the condensed consolidated statement of financial position at 30 June 2014.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

24. ACQUISITION OF A SUBSIDIARY (continued)

Asset and liabilities recognised at the date of acquisition (continued)

Notes: (continued)

3. The fair value of trade and other receivables and advance to a Shareholder at the date of acquisition amounted to HK\$4,110,000 and HK\$622,286,000. The gross contractual amounts of those trade and other receivables and advance to a Shareholder acquired amounted to HK\$4,110,000 and HK\$622,286,000 at the date of acquisition respectively. The entire contractual cash flows are expected to be collected.
4. The fair value of amounts due from related parties at the date of acquisition amounted to HK\$74,909,000. The gross contractual amounts of those amounts due from related parties acquired amounted to HK\$89,631,000 at the date of acquisition. The entire contractual cash flows are expected to be collected.

Non-controlling interests

The non-controlling interest (35%) in DG Hillview recognised at the acquisition date was measured by reference to the proportionate share of recognised fair value of net assets of DG Hillview and amounting to approximately HK\$434,721,000.

Capital reserve arising on acquisition

	HK\$'000
Fair value of consideration transferred	585,000
Plus: non-controlling interests (35% in DG Hillview)	434,721
Less: fair value of identifiable net assets acquired (100%)	(1,241,969)
<hr/>	
Excess of fair value of identifiable net assets acquired over consideration transferred (Note)	222,248
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Note: The excess amount of the fair value of identifiable net assets acquired over the fair value of consideration transferred and non-controlling interest is considered as deemed capital contribution from HNA International and is credited to capital reserve. The vendor of the acquisition transaction is a subsidiary of HNA International.

The Directors have determined the fair values of assets and liabilities of Hillview Group by reference to a valuation performed by Vigers at the acquisition date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

24. ACQUISITION OF A SUBSIDIARY (continued)

Net cash inflow arising on acquisition

	<i>HK\$'000</i>
Cash and cash equivalent balances acquired	4,013

Impact of acquisition on the results of the Group

No profit or revenue for the interim period is attributable from the Hillview Group since 30 June 2014 (date of the acquisition).

Had the acquisition of Hillview Group been effected at the beginning of the interim period, the total amount of revenue of the Group from continuing operations for the six months ended 30 June 2014 would have been HK\$180,904,000, and the amount of the loss for the interim period from continuing operations would have been HK\$153,628,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and loss of the Group had Hillview Group been acquired at the beginning of the interim period, the Directors calculated depreciation of property, plant and equipment, amortisation of prepaid lease payments and the release of deferred tax on the basis of the fair values at the date of acquisition.

25. MAJOR NON-CASH TRANSACTIONS

For the six months ended 30 June 2014

For the six months ended 30 June 2014, the Group acquired the Hillview Group at a consideration of HK\$585,000,000 settled by issue of a promissory note which will be matured on 30 June 2017.

For the six months ended 30 June 2014, the Company allotted and issued 50,000,000 shares, at a price of HK\$0.45 each to the Convertible Bondholder of Convertible Bond II. In addition, Convertible Bond I was derecognised and New Convertible Bond I was recognised upon extension of maturity date and conversion option expiry date in the current interim period (note 20).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

26. RELATED PARTY TRANSACTIONS

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

The Group operated 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 (Hong Kong) Limited ("Shougang HK") is a substantial shareholder with significant influence over the Company. Shougang HK 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 HK 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

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Management fees paid	165	330
Interest expenses paid	–	797

For the six months ended 30 June 2013, the Group obtained loans from Shougang HK Group of HK\$77,647,000. The borrowings were fully settled with interest expenses of HK\$797,000 during the six months ended 30 June 2013. The Group did not obtain loan from Shougang HK Group in the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

26. RELATED PARTY TRANSACTIONS (continued)

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

(ii) Transactions and balances with other government-related entities

In 2010, the Group entered into a cooperation 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. As details in note 7, the Group is no longer able to operate the DTV business and is required to exit the DTV business.

As at 31 December 2013, trade receivable due from Southern Yinshi amounting to approximately HK\$180,122,000 was included in DTV Disposal Group classified as held-for-sale in note 7. The amount remained outstanding as at 30 June 2014.

The Group had also 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.

(b) Transactions and balances with non-PRC government related entities

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Rental income from entities controlled by Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan, the Directors of the Company	428	–
Interest expenses to Mr. Mung Bun Man, Alan	107	–

In addition, on 30 June 2014, the Group has acquired 100% equity interest of Hillview from Leader Well Management Limited, which is wholly-owned and controlled by HNA International (note 24).

Details of balances with related parties of the Group are set out in the Groups condensed consolidated statement of financial position and note 15 and 19.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

26. RELATED PARTY TRANSACTIONS (continued)

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

The following guarantee was provided to banks to secure general banking facilities granted to the Group:

Guarantor	Relationship	Type of guarantee	31 December
			2013
			HK\$'000 (audited)
Mr. Chau Chit	Former director of the Company	Personal guarantee	19,221

Mr. Chau Chit is no longer a related party of the Group upon his resignation on 24 October 2013.

(c) Compensation of key management personnel

The remuneration of key management members, who are the Directors during the periods, is as follows:

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Short term benefits	3,455	3,586
Post-employment benefits	–	120
	3,455	3,706

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

27. FAIR VALUE MEASUREMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the fair value is observable.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

27. FAIR VALUE MEASUREMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2014 (unaudited)	31 December 2013 (audited)				
(1) Unlisted equity securities classified as available-for-sale investments	19% equity interest in Success East engaged in investment in securities – nil	19% equity interest in Success East engaged in investment in securities – HK\$2,323,000	Level 2	Net assets value* The key inputs are: Quoted bid prices in an active market and deposits placed with a broker	N/A	N/A
(2) Embedded derivative components of convertible loan notes**	Embedded derivative components of New Convertible Bond I of HK\$23,639,000	Embedded derivative components of convertible loan notes of HK\$24,914,000 comprising HK\$5,332,000 from Convertible Bond I and HK\$19,582,000 from Convertible Bond II.	Level 3	Binomial method The key inputs are: Stock price, exercise price, volatility, dividend yield, risk free rate and option life	Volatility is determined by reference to the Company's historical volatility. At 30 June 2014, volatility of 57% is applied or New Convertible Bond I while at 31 December 2013, volatility of 60% applied in both Convertible Bond I and Convertible Bond II.	The higher volatility in share price, the higher the change in fair value of embedded derivative components of convertible loan notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

27. FAIR VALUE MEASUREMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Notes:

- * Success East is incorporated in Hong Kong and principally involved in investment in securities. At 31 December 2013, the Directors are of the opinion that the carrying amount of net assets value approximate to the fair values of available-for-sale investments as the major assets of Success East are listed securities which stated at fair value as at the end of the reporting period and deposits placed with a broker, while Success East has no material liabilities held at the end of the reporting period. At 30 June 2014, the fair value of the underlying financial assets dropped significantly and the net assets value of Success East became insignificant.
- ** If the volatility of the valuation model was 10% higher or lower while all the other variables were held constant, the carrying amount of the embedded derivatives would remain unchanged (six months ended 30 June 2013: increase by HK\$2,870,000 or decrease by HK\$2,901,000).

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

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2014.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

27. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative components of convertible loan notes <i>HK\$'000</i>
At 1 January 2013	54,287
Gain arising on changes of fair value	(28,991)
<hr/>	
Carrying amount at 30 June 2013 and 1 July 2013	25,296
Gain arising on changes of fair value	(382)
<hr/>	
Carrying amount at 31 December 2013 and 1 January 2014	24,914
Recognition of New Convertible Bond I	24,033
Gain arising on changes of fair value	(25,308)
<hr/>	
Carrying amount at 30 June 2014	23,639
<hr/>	

The total gains or losses for the six months ended 30 June 2014 included a fair value gain of HK\$394,000 (six months ended 30 June 2013: HK\$28,991,000) relating to derivative components of convertible notes held at the end of the reporting period. Such fair value gains are included in "other gains and losses" (see note 4).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

27. FAIR VALUE MEASUREMENTS (continued)

Fair value measurements and valuation processes

In estimating the fair value of debt, derivative components and interest payable of convertible loan notes and promissory note, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of debt, derivative components and interest payable of convertible loan notes. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. In determining the valuation assumptions and inputs, the Directors take into account the market-observable data as well as factors specific to the Group's debts, derivative components and interest payable of convertible loan notes, as follows:

- Dividend yield – estimated based on the historical dividend yield of the Company at the end of the reporting period;
- Risk free rate – referenced to US sovereign yield and Hong Kong Government Bond Face Value at the end of the reporting period; and
- Volatility – estimated based on the Company's historical volatility.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

27. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities (continued)

For the Group's available-for-sale investments measured at fair value at the end of the reporting period, the Group estimates the fair value based on fair value of underlying assets of the investees taking into account the availability of quoted bid price in an active market in respect of an active market and deposits placed with a broker.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

28. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 18 June 2014, the Company entered into a subscription agreement with HNA International whereby HNA International has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 418,144,000 shares in the share capital of the Company ("Subscription Shares") at the price of HK\$0.30 per Subscription Share. The subscription has been completed subsequently after the current interim period on 28 July 2014.

Subsequent to the end of the current interim period, the Company has entered into preliminary negotiations with a potential buyer on the sale of the Group's equity interest in SST.

At the date these condensed consolidated financial statements were authorized for issuance, the Company and the potential buyer have not yet entered into any definitive and legally-binding formal agreement.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

首長科技集團有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We were engaged to review the condensed consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 63, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



BASIS FOR DISCLAIMER OF CONCLUSION

As described in note 7 to the condensed consolidated financial statements, the sales agreement entered into between the Group and Hong Kong Guang Hua Resources Investments Company Limited (“Guang Hua”), an independent third party, in relation to the disposal of certain subsidiaries of the Group (collectively referred as the “DTV Disposal Group”) lapsed on 30 June 2013. The directors of the Company are seeking for a potential buyer for the disposal of the DTV Disposal Group and consider the disposal transaction remains highly probable, however, no formal sales agreement has been signed up to the date of this report. The directors are of the view that the carrying amounts of the assets included in the DTV Disposal Group are measured in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRSs”) taking into account of the potential disposal and are also confident that the recoverable amount of DTV Disposal Group in its entirety would not be less than the net assets value of the DTV Disposal Group included in condensed consolidated statement of financial position as at 30 June 2014.

However, no formal sales agreement and valuation in relation to the DTV Disposal Group has been concluded as at the date of this report. In the absence of a formal sales agreement and an appropriate valuation performed as at 30 June 2014, we were unable to obtain sufficient information to assess (i) whether the disposal of the DTV Disposal Group is still highly probable and the classification of the DTV Disposal Group as held-for-sale in the condensed consolidated financial statements remains appropriate; (ii) whether certain assets included in the DTV Disposal Group are measured in accordance with the applicable HKFRSs; and (iii) the DTV Disposal Group in its entirety is measured at the lower of its net assets value and fair value less cost of disposal in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” issued by the HKICPA.

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the condensed consolidated financial statements. Accordingly, we do not express a conclusion on these condensed consolidation financial statements.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover from continuing operations for the six months ended 30 June 2014 amounted to HK\$89.7 million (six months ended 30 June 2013: HK\$95.8 million).

Loss attributable to the owners of the Company for the period amounted to HK\$211.7 million (six months ended 30 June 2013: HK\$186.7 million), analysed as follows:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Loss from continuing operations	(132,817)	(112,400)
Loss from discontinued operation: – Digital television business services	(78,877)	(74,343)
Loss attributable to the owners of the Company for the period	(211,694)	(186,743)

Basic loss per share of the Group are as follows:

	Six months ended 30 June	
	2014 HK cents	2013 HK cents
Basic loss per share from continuing operations	(4.62)	(4.18)
Basic loss per share from discontinued operation	(2.74)	(2.76)
Basic loss per share from continuing and discontinued operations of the Group	(7.36)	(6.94)

As at 30 June 2014, the Group's equity attributable to the owners of the Company amounted to HK\$980.9 million, representing an increase of HK\$166.9 million over the figure as at 31 December 2013 of HK\$814.0 million. The net assets value per share attributable to the owners of the Company as at 30 June 2014 was HK\$0.45 (31 December 2013: HK\$0.33).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review

Revenue, cost of sales and gross profit from continuing operations

Revenue from continuing operations for the period decreased by HK\$6.0 million (6.3%) compared to the same period in prior year, which is mainly attributable to the decrease in revenue from intelligent information business with further details disclosed in "SEGMENT INFORMATION" below. Cost of sales from continuing operations for the period dropped by HK\$2.3 million (2.8%) with a smaller extent of decrease compared with revenue, resulting in gross profit ratio dropped from 15.4% in prior period to 12.3% in current period.

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

Loss for the period from continuing operations attributable to the owners of the Company increased by HK\$20.4 million (18.2%) compared to prior year. The main reason for the increase in loss was due to the Company's increased efforts in internal control along with implementation of stringent control over provision for assets for the purpose of its long-term operation, including impairment loss on loan to an investee amounting to HK\$81.5 million.

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

Discontinued operations represented digital television business. Loss for the period from discontinued operations attributable to the owners of the Company slightly increased by HK\$4.5 million (6.1%) compared to prior year mainly due to exchange loss of HK\$5.6 million was arisen from translation of presentation currency from Hong Kong dollars into Renminbi, which is the functional currency of digital television business in accordance with Hong Kong Accounting Standards.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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. As there was a slowdown in the economy of China, intelligent information business incurred a loss. The turnover and operating losses of intelligent information business for the period reached HK\$89.7 million (six months ended 30 June 2013: HK\$93.1 million) and HK\$17.5 million (six months ended 30 June 2013: HK\$90.7 million), respectively.

Although the gross profit decreased from HK\$14.7 million for the six months ended 30 June 2013 to HK\$11.0 million in for the six months ended 30 June 2014, the decrease in loss was mainly resulted from full impairment loss of goodwill amounting to HK\$70,188,000 during the six months ended 30 June 2013, as it was expected that the development of the intelligent information business would slow down and the future revenue to be granted from intelligent information business was expected to decline.

Digital television business services

The turnover and total loss of digital television business for the period were Nil (six months ended 30 June 2013: Nil) and HK\$78.9 million (six months ended 30 June 2013: HK\$74.3 million), respectively. The Group ceased to receive the income from digital television business services subsequent to 30 June 2012.

At present, the disposal transaction of the DTV business under the Group is pending completion. The parties are currently negotiating the transaction amount and transaction terms. The Group believe that the final transaction price can realize an amount worth the value of such business.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Segment Information (continued)

Sales of light emitted diode products and others

During the period, the turnover and operating loss of sales of light emitted diode products and others segments amounted to HK\$0.1 million (six months ended 30 June 2013: HK\$2.6 million) and HK\$0.7 million (six months ended 30 June 2013: HK\$3.2 million) respectively.

Operations of golf club and provision of hotel and leisure services

As at 30 June 2014, the Group completed the acquisition of 100% of Hillview Golf Development Company Limited and will extend its business into operations of golf club and provision of hotel and leisure services into second half of 2014.

Prospect

Throughout the completion of acquisition of 100% of Hillview Golf Development Company Limited, the Group will extend its business into operations of golf club and provision of hotel and leisure services into second half of 2014. The Group will also actively explore new businesses for investments and development so as to bring better return to shareholders in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and Financial Resources

The financial leverage of the Group as at 30 June 2014, as compared to 31 December 2013 is summarised below:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Total debt		
– from bank and others	726,476	128,012
– from convertible loan notes	153,431	264,660
– from promissory note	585,000	–
Sub-total	1,464,907	392,672
Pledged bank deposits	(22,611)	(24,101)
Cash and bank deposits	(40,637)	(5,648)
Net debt	1,401,659	362,923
Total capital (equity and total debt)	2,445,785	1,206,647
Total assets	4,254,117	2,069,470
Financial leverage		
– net debt to total capital	57.3%	30.1%
– net debt to total assets	32.9%	17.5%

Financing Activities

During the period, the Group has raised HK\$156.1 million through issuing 538,428,000 ordinary shares and raised new borrowings of HK\$229.1 million from banks, third parties and a director of HK\$100.8 million, HK\$123.3 million and HK\$5.0 million respectively, to provide working capital for the Group.

Capital Structure

As at 30 June 2014, the number of shares in issue and issued share capital of the Company were 3,280,569,179 (31 December 2013: 2,692,141,179) and approximately HK\$1,709.9 million (31 December 2013: HK\$673.0 million) respectively.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Charge on Assets

As at 30 June 2014, assets pledged to banks to secure banking facilities (including bank borrowings and bills payables and mortgage granted to membership fee income) granted to the Group are as follows:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Investment properties	48,128	49,329
Buildings	216,345	11,106
Prepaid lease payments	1,350,268	–
Bank deposits	22,611	24,101
Total	1,637,352	84,536

As at 30 June 2014, among assets pledged, investment properties of HK\$48.1 million (31 December 2013: HK\$49.3 million) and buildings of HK\$10.7 million (31 December 2013: HK\$11.1 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 exposures regularly and may consider using financial instruments to hedge against such exposures at appropriate times. As at 30 June 2014, there were no derivative financial instruments employed by the Group.

Material Acquisitions, Disposals, Significant Investment and Future Plans of Material Investment

Reference to the announcement dated 30 June 2014, the Group completed acquisition of 100% of Hillview Golf Development Company Limited on 30 June 2014 through issuance of a promissory note with a principal amount of HK\$743.1 million as consideration, which will be matured on the third anniversary of the issue date. Throughout the acquisition, the Group will extend its business into operations of golf club and provision of hotel and leisure services in the second half of 2014.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Material Acquisitions, Disposals, Significant Investment and Future Plans of Material Investment (continued)

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2014.

Contingent Liabilities

As at 30 June 2014, the contingent liabilities of the Group were arisen from cross guarantees of HK\$104.4 million (31 December 2013: HK\$126.2 million) for credit facilities granted to certain third parties, and the amount utilised was HK\$103.8 million (31 December 2013: HK\$111.5 million).

Employees and Remuneration Policies

The Group had a total of 852 employees as at 30 June 2014.

The remuneration policies of the Group are to ensure the remuneration package as a whole is fair and competitive, so as to motivate and retain current employees as well as to attract potential ones. The determination of these remuneration packages have already been taken into account carefully, amongst others, practices under different local geographical locations in which the Group operates. The employees' remuneration packages are comprised of salaries, discretionary bonuses, together with retirement schemes, medical insurances and share options to form a part of such welfare benefits.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

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

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



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

The Directors of the Company who held office at 30 June 2014 had the following interests in the shares and underlying shares of the Company as at 30 June 2014 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2014
		Interests in shares	Derivatives interests*	Total interests	
Li Shaofeng	Beneficial owner	–	21,000,000	21,000,000	0.64%
Mung Kin Keung ("Mr. Mung")	Beneficial owner, interests of controlled corporations	447,249,480 ^A	21,000,000	468,249,480	14.27%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	15,423,810	35,423,810	1.08%
Leung Kai Cheung	Beneficial owner	1,714,000	1,800,000	3,514,000	0.11%

* *The 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 in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*

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

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

^Δ *Mr. Mung, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 13 May 2014 (being the latest disclosure form filed up to 30 June 2014) that as at 9 May 2014, his interests included 447,249,480 shares of the Company held by China Review Property Group Limited ("China Review").*

China Review was wholly-owned by Mr. Mung. The interest held by China Review is disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable under the SFO" below.

Save as disclosed above, as at 30 June 2014, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2014.



INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, 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/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2014	Note(s)
HNA Group (International) Company Limited	Beneficial owner	691,100,000	21.07%	
China Review	Beneficial owner	447,249,480	13.63%	1
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	401,559,220	12.24%	2
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	7.06%	2
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	5.18%	2
Templeton Asset Management Ltd.	Investment manager	193,749,999	5.91%	3

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

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

Notes:

1. China Review was wholly-owned by Mr. Mung, a Director of the Company, and its interest is 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.
2. Shougang Holding indicated in its disclosure form dated 8 May 2014 (being the latest disclosure form filed up to 30 June 2014) that as at 7 May 2014, its interests included the interests held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding.
3. The interest was physically settled unlisted derivatives which were zero coupon convertible bond due 2015 issued by the Company pursuant to the subscription agreement dated 13 May 2009 and the supplemental agreement dated 23 May 2014 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).

Save as disclosed above, as at 30 June 2014, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.



SHARE OPTIONS

On 7 June 2002, the shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. 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 by the Company 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. 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.

Particulars of share options in relation to each of the 2002 Scheme and the 2012 Scheme during the period are set out below:

(a) The 2002 Scheme

No share option was granted, exercised or cancelled in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2014. Details of movements in the share options under the 2002 Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period	At the end of the period			
Directors of the Company								
Li Shaofeng	21,000,000	-	-	-	21,000,000	14.12.2010	14.12.2010 – 3.12.2020	HK\$0.420
Mung Kin Keung	10,000,000	-	-	-	10,000,000	16.12.2009	16.12.2009 – 5.12.2019	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			
Leung Shun Sang, Tony	423,810	-	-	-	423,810	19.01.2007	19.01.2007 – 8.01.2017	HK\$0.406
	15,000,000	-	-	-	15,000,000	22.01.2008	22.01.2008 – 1.01.2018	HK\$0.780
	15,423,810	-	-	-	15,423,810			
Leung Kai Cheung	1,800,000	-	-	-	1,800,000	22.01.2008	22.01.2008 – 1.01.2018	HK\$0.780
	59,223,810	-	-	-	59,223,810			

SHARE OPTIONS (continued)

(a) The 2002 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period	At the end of the period			
Employees of the Group	4,000,000	-	-	(4,000,000) ¹	-	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	34,500,000	(4,500,000)	-	-	30,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	38,500,000	(4,500,000)	-	(4,000,000)	30,000,000			
Other participants	11,982,000	-	-	(11,982,000) ¹	-	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	12,148,000	-	-	-	12,148,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	41,000,000	-	4,500,000	-	45,500,000	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
	76,880,000	-	4,500,000	(11,982,000)	69,398,000			
174,603,810	(4,500,000)	4,500,000	(15,982,000)	158,621,810				

Note:

- The share options lapsed on 18 March 2014, being the expiry date of the relevant option period.

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption.



AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2014 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 25 August 2014 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2014 except that Mr. Mung, the Executive Chairman of the Company, was unable to attend the annual general meeting of the Company held on 6 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2014.

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

The followings are the changes in the information of Directors since the date of the 2013 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Sinocop Resources (Holdings) Limited, of which Mr. Li Shaofeng, the Non-executive Chairman of the Company, is a non-executive director, has changed its name to China Dynamics (Holdings) Limited on 5 June 2014;
- (b) Mr. Mung, the Executive Chairman of the Company, was appointed as an executive director of Well Way Group Limited ("Well Way") on 19 June 2014 and appointed as a co-chairman and an executive director of China Star Entertainment Limited ("China Star") on 8 July 2014 (both Well Way and China Star are companies listed in Hong Kong);
- (c) Mr. Mung Bun Man, Alan, an Executive Director of the Company, was appointed as an executive director of Well Way on 24 March 2014; and
- (d) Mr. Lam Kin Fung, Jeffrey, an Independent Non-executive Director of the Company, resigned as an independent non-executive director of Hsin Chong Construction Group Limited on 10 May 2014.



APPRECIATION

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

By Order of the Board
Shougang Concord Technology Holdings Limited
Mung Kin Keung
Executive Chairman

Hong Kong, 28 August 2014