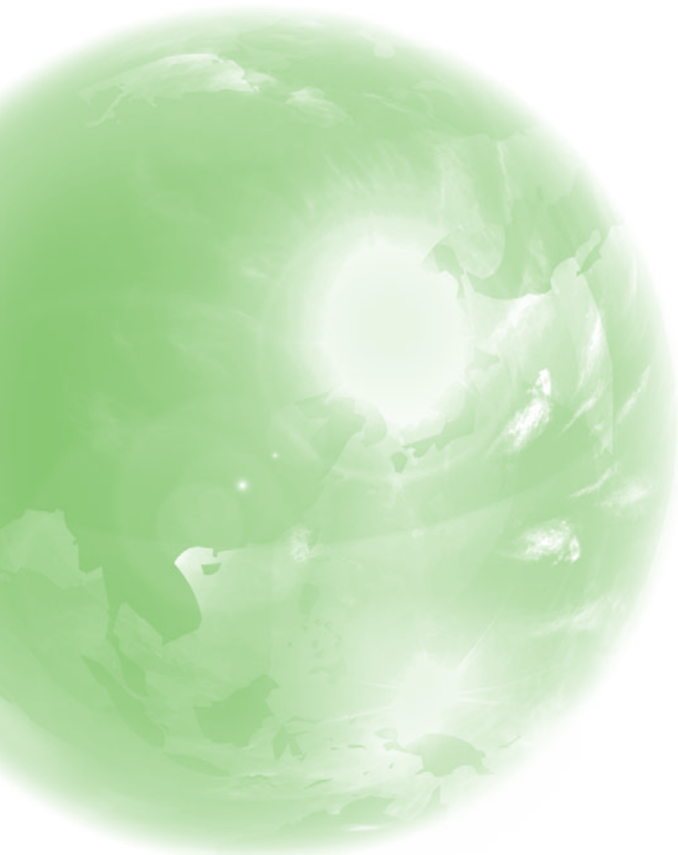
Annual Report 2009

SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

Stock Code : 521

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Cao Zhong *(Chairman)*
Chau Chit *(Managing Director)*
Mung Kin Keung *(Executive Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Chen Jang Fung *(Non-executive Director)*
Chan Wah Tip, Michael *(Non-executive Director)*
Lee Fook Sun *(Non-executive Director)*
James Alan Chiddix *(Non-executive Director)*
Kan Lai Kuen, Alice
(Independent Non-executive Director)
Wong Kun Kim
(Independent Non-executive Director)
Leung Kai Cheung
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Cao Zhong *(Chairman)*
Chau Chit
Mung Kin Keung

AUDIT COMMITTEE

Wong Kun Kim *(Chairman)*
Chan Wah Tip, Michael
Kan Lai Kuen, Alice
Leung Kai Cheung

NOMINATION COMMITTEE

Cao Zhong *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung

REMUNERATION COMMITTEE

Leung Shun Sang, Tony *(Chairman)*
Cao Zhong *(Vice Chairman)*
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung

INVESTMENT COMMITTEE

Cao Zhong
Chau Chit
Mung Kin Keung
Leung Shun Sang, Tony
Leung Kai Cheung

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS

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

REGISTERED OFFICE

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

STOCK CODE

521

WEBSITE

www.shougang-tech.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Cao Zhong, aged 50, graduated from Zhejiang University, the People's Republic of China and Graduate School, The Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics. Mr. Cao was appointed the Chairman of the Company in November 2001 and is the chairman of each of the Executive Committee and the Nomination Committee, the vice chairman of the Remuneration Committee and a member of the Investment Committee of the Company. He is also the deputy chairman and general manager of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), and a director of each of Asset Resort Holdings Limited ("Asset Resort") and Wheeling Holdings Limited ("Wheeling"), each of Shougang Holding, Asset Resort and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Cao is the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International"), the vice chairman and managing director of Shougang Concord Grand (Group) Limited ("Shougang Grand"), the chairman of Global Digital Creations Holdings Limited ("GDC") which is a subsidiary of Shougang Grand, the chairman of Shougang Concord Century Holdings Limited ("Shougang Century") and the vice chairman and managing director of Fushan International Energy Group Limited ("Fushan Energy"). He is also a director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Mr. Cao also acts as the assistant general manager of Shougang Corporation, the ultimate holding company of Shougang Holding, and the chairman of China Shougang International Trade and Engineering Corporation. He was an executive director of APAC Resources Limited ("APAC") from April 2007 to October 2009 and was concurrently the chairman of APAC since May 2007. Mr. Cao has extensive experience in corporate management and operation.

A service contract has been entered into between Mr. Cao and the Company for a term of three years commencing on 1 January 2008. Under the service contract, Mr. Cao is entitled to a monthly salary of HK$200,000 and discretionary bonus as may be determined by the board of directors of the Company (the "Board") from time to time. For the financial year ended 31 December 2009, the discretionary bonus for Mr. Cao is HK$1,200,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Cao's individual performance.

Mr. Chau Chit, aged 44, graduated from Zhejiang University. Mr. Chau was appointed an Executive Director of the Company in June 2006 and is currently the Managing Director and a member of each of the Executive Committee and the Investment Committee of the Company. He is a director and the chief executive officer of Sino Stride Technology (Holdings) Limited, a subsidiary of the Company which was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 29 July 2002 to 6 November 2006. Mr. Chau is a director and the sole shareholder of Mega Start Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

A service contract has been entered into between Mr. Chau and the Company for a term of three years commencing on 1 January 2008. Under the service contract, Mr. Chau is entitled to a monthly salary of HK$200,000 and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2009, the discretionary bonus for Mr. Chau is HK$1,200,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chau's individual performance.

Mr. Mung Kin Keung, aged 49, holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. Mr. Mung was appointed an Executive Director of the Company in February 2009 and is a member of each of the Executive Committee and the Investment Committee of the Company. He is the chairman and an executive director of Mastermind Capital Limited and an executive director of Hong Kong Resources Holdings Company Limited, both of which are listed companies in Hong Kong. Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years of experience in areas of business management, strategic planning and development.

A service contract has been entered into between Mr. Mung and the Company for a term commencing on 16 February 2009 and expiring on 31 December 2010. Under the service contract, Mr. Mung is entitled to a salary of HK$1,000,000 for each full year which will be paid in proportion to the actual length of services provided by Mr. Mung. Mr. Mung is also entitled to a discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2009, the discretionary bonus for Mr. Mung is HK$800,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Mung's individual performance.

Mr. Leung Shun Sang, Tony, aged 67, holds a master degree in business administration from New York State University and has over 30 years of experience in finance, investment and corporate management. Mr. Leung was appointed a Non-executive Director of the Company in April 1993 and is the chairman of the Remuneration Committee, the vice chairman of the Nomination Committee and a member of the Investment Committee of the Company. He is also a director of each of Shougang International, Shougang Grand, Shougang Century, GDC and Fushan Energy. Mr. Leung is the managing director of CEF Group.

An engagement letter has been entered into with Mr. Leung for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the shareholders of the Company (the "Shareholders"). For the financial year ended 31 December 2009, the director's fee of Mr. Leung is HK$190,000. For the financial year ending 31 December 2010, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Chen Jang Fung, aged 56. Mr. Chen was appointed a Non-executive Director of the Company in November 2003. He graduated from Rochester Institute of Technology, New York with dual master of science degrees in lithography, imaging science and optical instrumentation. Mr. Chen has more than 20 years of hands-on development engineering and management experience in semiconductor industry, and has been awarded more than 20 United States and world-wide patents in the field of optical lithography.

An engagement letter has been entered into with Mr. Chen for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Chen is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Chen is HK$150,000. For the financial year ending 31 December 2010, the director's fee of Mr. Chen will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chen. Such director's fees were determined with reference to Mr. Chen's experience and duties as well as the then prevailing market conditions.

Mr. Chan Wah Tip, Michael, aged 57. Mr. Chan was appointed an Independent Non-executive Director of the Company in August 1996 and was re-designated as Non-executive Director of the Company in September 2004. He is also a member of the Audit Committee of the Company. Mr. Chan is currently a non-executive director of High Fashion International Limited and an independent non-executive director of L.K. Technology Holdings Limited, both of which are listed companies in Hong Kong. He is a practising solicitor in Hong Kong and a partner of Wilkinson & Grist.

An engagement letter has been entered into with Mr. Chan for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Chan is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Chan is HK$200,000. For the financial year ending 31 December 2010, the director's fee of Mr. Chan will be HK$200,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chan. Such director's fees were determined with reference to Mr. Chan's experience and duties as well as the then prevailing market conditions.

Mr. Lee Fook Sun, aged 53. Mr. Lee was appointed a Non-executive Director of the Company in December 2007. He graduated from the University of Oxford with a Bachelor of Arts (Honours) and a Master of Arts (Engineering Science) degree and completed the Stanford Executive Programme at Stanford University. Mr. Lee served in the Singapore Ministry of Defence as Director of Joint Intelligence Directorate from 1996 to 2000 and retired from active military services with a rank of Brigadier General. Currently, he is the President of Singapore Technologies Electronics Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

An engagement letter has been entered into with Mr. Lee for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Lee is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Lee is HK$150,000. For the financial year ending 31 December 2010, the director's fee of Mr. Lee will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Lee. Such director's fees were determined with reference to Mr. Lee's experience and duties as well as the then prevailing market conditions.

Mr. James Alan Chiddix, aged 64. Mr. Chiddix was appointed a Non-executive Director of the Company in February 2009. He attended Cornell University where he studied electrical engineering. Mr. Chiddix served as chairman and chief executive officer at OpenTV Corp., a company listed in The Nasdaq Stock Market ("Nasdaq") in U.S.A., from 2004 to 2007, and continued to serve on its board as vice chairman following the sale of control of OpenTV Corp. by Liberty Media Corporation to The Kudelski Group of Switzerland from 2007 to November 2009. Prior to joining OpenTV Corp., he served as president of Mystro TV, a division of Time Warner Inc. Before joining Mystro TV, Mr. Chiddix was chief technical officer at Time Warner Cable for 15 years. He was the vice chairman of Vyyo, Inc., a company listed in Nasdaq and was taken private by its largest shareholder in December 2008, from April 2007 to December 2008. Mr. Chiddix also serves on the boards of Virgin Media, Symmetricom, Inc. and Arris Group, Inc., all of which are companies listed in Nasdaq. He also serves on the board of Dycom Industries, Inc., a company listed in the New York Stock Exchange. Mr. Chiddix is an engineering executive and has extensive experience in cable industry and technology industry.

An engagement letter has been entered into with Mr. Chiddix for a term commencing on 16 February 2009 and expiring on 31 December 2010. Under the engagement letter, Mr. Chiddix is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Chiddix is HK$131,250. For the financial year ending 31 December 2010, the director's fee of Mr. Chiddix will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chiddix. Such director's fees were determined with reference to Mr. Chiddix's experience and duties as well as the then prevailing market conditions.

Ms. Kan Lai Kuen, Alice, aged 55. Ms. Kan was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. She is also an independent non-executive director of Shougang International. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. Ms. Kan has over 15 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the managing director of each of Asia Investment Management Limited and Asia Investment Research Limited, both companies are licensed corporations under the SFO. Ms. Kan is licensed as a responsible officer of each of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited under the SFO. She is also an independent non-executive director of each of Regal Hotels International Holdings Limited, G-Vision International (Holdings) Limited, Sunway International Holdings Limited, Shimao Property Holdings Limited and China Energine International (Holdings) Limited, all of which are listed companies in Hong Kong.

An engagement letter has been entered into with Ms. Kan for a term of three years commencing on 1 January 2008. Under the engagement letter, Ms. Kan is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Ms. Kan is HK$240,000. For the financial year ending 31 December 2010, the director's fee of Ms. Kan will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Kan. Such director's fees were determined with reference to Ms. Kan's experience and duties as well as the then prevailing market conditions.

Mr. Wong Kun Kim, aged 65. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Wong holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute and is licensed as a responsible officer of each of Asia Investment Management Limited and Asia Investment Research Limited under the SFO. Mr. Wong has over 30 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. He had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America and is currently an independent non-executive director of Sunway International Holdings Limited, a Hong Kong listed company.

An engagement letter has been entered into with Mr. Wong for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Wong is HK$240,000. For the financial year ending 31 December 2010, the director's fee of Mr. Wong will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

Mr. Leung Kai Cheung, aged 64. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investment Committee of the Company. He is also an independent non-executive director of Shougang International. Mr. Leung graduated from the Chinese University of Hong Kong with a bachelor degree in business. He had been a senior executive of Citibank, N.A. and the general manager of Barclays Bank PLC in charge of Kowloon and New Territories district. Mr. Leung is currently the chairman of each of Star International Enterprises Limited and Shinon Technologies Limited. He has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

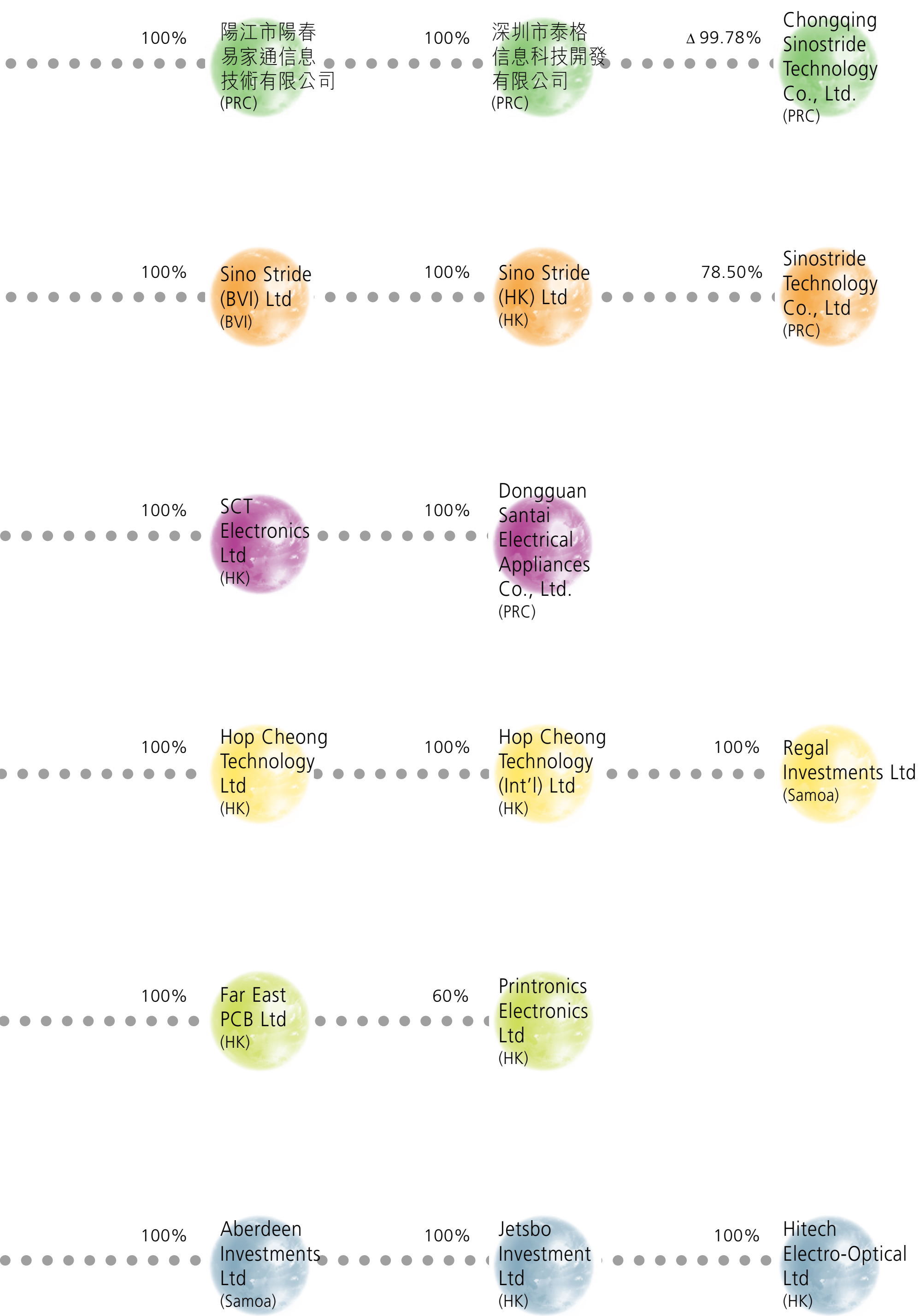
An engagement letter has been entered into with Mr. Leung for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Leung is HK$240,000. For the financial year ending 31 December 2010, the director's fee of Mr. Leung will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2009

Shougang Concord Technology Holdings Limited
(Stock Code: 521)

Business	Interest	Company
Provision of digital television solutions and equipment business	100%	廣州市易家通互動信息發展有限公司 (PRC)
Development and provision of system integration solutions	100%	Sino Stride Technology (Holdings) Ltd (BVI)
Manufacture and sale of telephone accessories, power cords and adaptors	100%	Santai Manufacturing Ltd (HK)
Manufacture and sale of high precision metal parts	100%	Hop Cheong Holdings Ltd (Cook Islands)
Manufacture and sale of printed circuit boards	100%	Printronics Group Ltd (HK)
Administration and services	100%	Santai Corporate Services Ltd (HK)

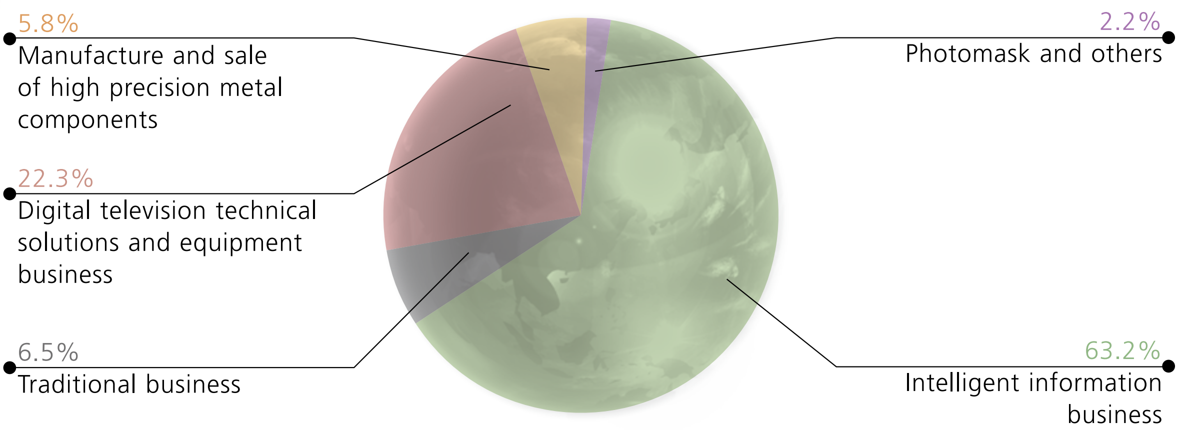


Notes:

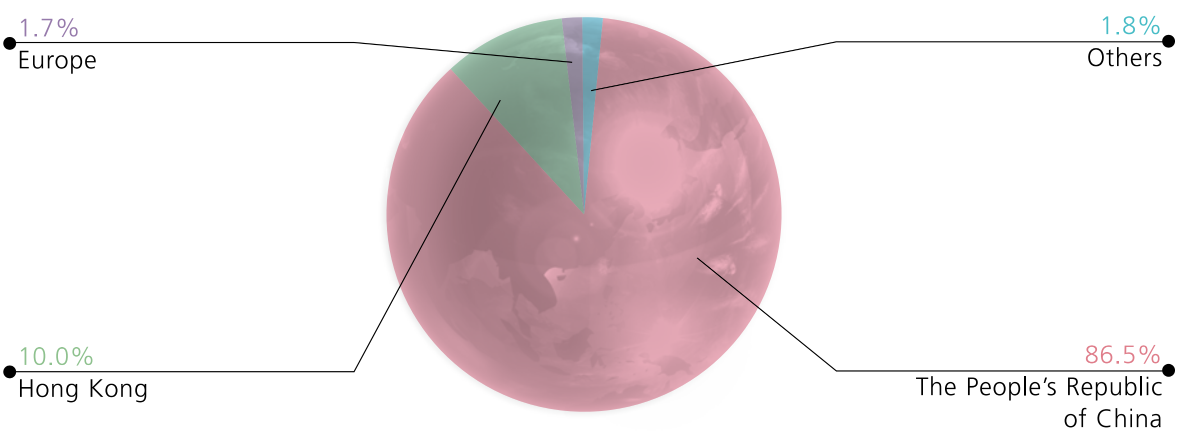
∆ Attributable interest held by Shougang Concord Technology Holdings Limited

FINANCIAL HIGHLIGHTS

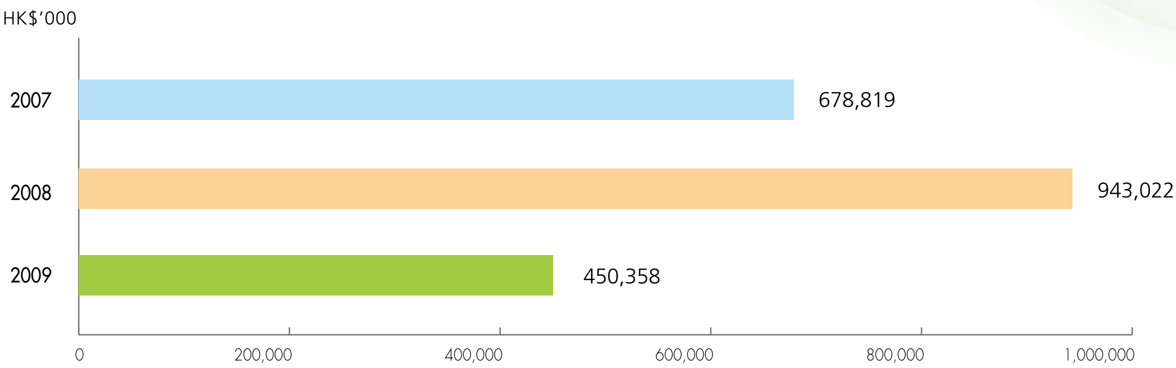
TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2009



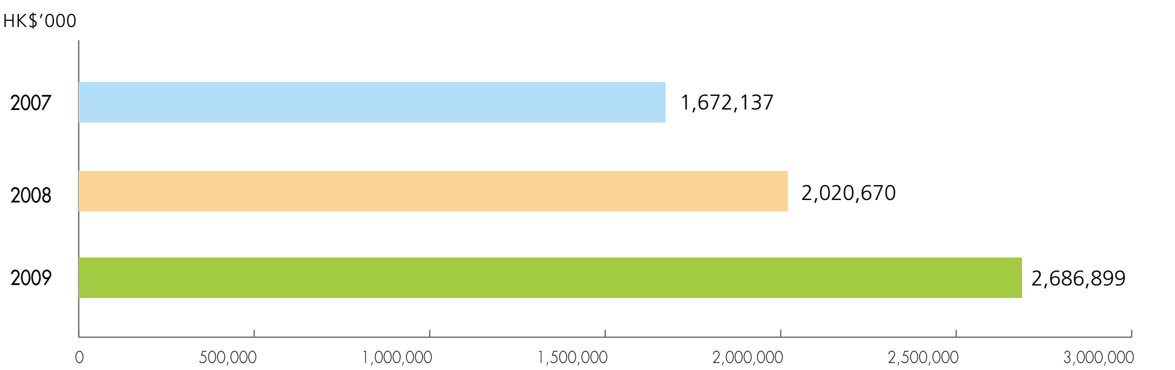
TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2009



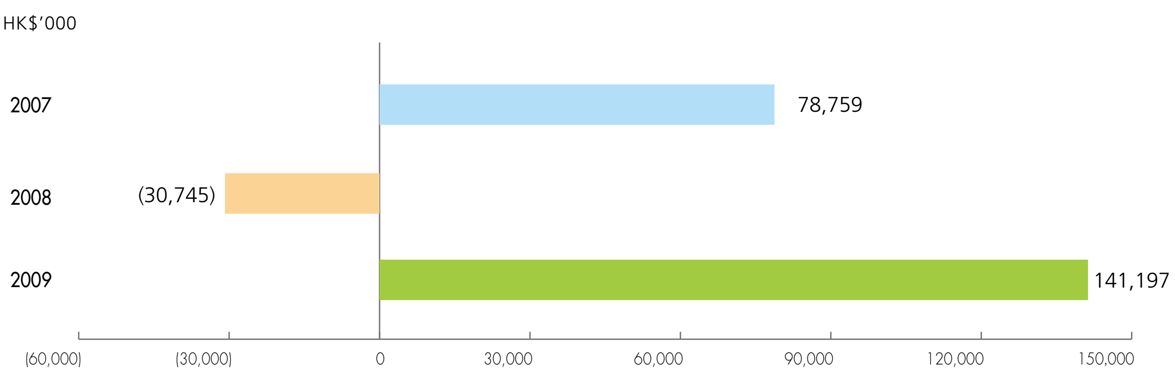
TURNOVER



TOTAL ASSETS



PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS



CHAIRMAN'S STATEMENT

I am pleased to present that the Group recorded a profit attributable to shareholders of approximately HK$141.2 million in 2009 as compared with a loss of approximately HK$30.7 million last year, which posed a more healthy financial position of the Group. The profit contribution was mainly generated from the Group's new business and its disposal of a number of non-core businesses. In future, the Group will reallocate all resources in the three major core businesses to continue generating revenues for the shareholders and striving for a steady return.

During the year under review, the Group continued its collaboration with Guangdong Southern Yinshi Network Media Company Limited to develop the cable digital television business. Along with the increase in the number of digital TV subscribers, the technical service fee charged by the Group has brought about considerable revenue for the Group. In spite of the sharp drop in sales revenue of digital television equipment as affected by the economic recession, the Group believes that, with the recovery of economic situations in peripheral areas, the digital television equipment business will be able to contribute to the Group's revenue again.

In the first half of 2009, the Group obtained a loan facility of RMB400 million from a domestic bank and issued zero coupon convertible bond of principal amount of US$15 million, which has provided amble capital for further development of cable television business, and has also proved investors' support with great exertion for a sustained development of this business.

The Group's intelligent system business has developed a series of energy saving products in view of the high energy consumption level of mobile communications base stations, and it is expected that this new business of energy saving products will fuel growth of the Group's business in future. Besides, The Group has completed the disposal of 19% interests in intelligent building business to Carrier Asia, in the anticipation of providing more business opportunities for intelligent building business with the brand recognition and the experience of Carrier Asia.

On behalf of the Board of Directors, I would like to express our sincere thanks to our customers, vendors, shareholders and business partners for their continuous support and would like to extend my gratitude and appreciation to all management and staff for their dedication and contribution to the Group's continued progress throughout the year.

Cao Zhong
Chairman

Hong Kong, 15 April 2010

BUSINESS REVIEW

Turnover from the continuing operations for the year ended 31 December 2009 amounted to HK$441.7 million (31 December 2008: HK$905.5 million), representing a decrease of 51% over the previous year. The decrease was attributable to the significant reduction of customer orders received from the digital television equipment and the slowdown of progress billings recognised on certain installation contracts during the year.

Profit attributable to the owners of the Company for the year amounted to HK$141.2 million (31 December 2008: loss of HK$30.7 million). The increase was mainly attributable to the disposal of several subsidiaries and a jointly controlled entity that recognised a net gain of approximately HK$202.1 million, the gain on disposal of available-for-sales investments and held for trading investments of approximately HK$50.5 million and offset by the finance costs and other operating expenses of HK$111.4 million. The basic earnings per share from continuing and discontinued operations was HK6.87 cents (31 December 2008: basic loss per share of HK1.60 cents). By excluding the discontinued operation, the basic loss per share from continuing operations was HK1.39 cents (31 December 2008: basic earnings per share of HK2.21 cents).

As at 31 December 2009, the Group's equity attributable to the owners of the Company amounted to HK$1,219.0 million, an increase of HK$206.8 million over the audited figure as at 31 December 2008 of HK$1,012.2 million. The net asset value per share attributable to the owners of the Company as at 31 December 2009 was HK$0.57 (31 December 2008: HK$0.53).

Digital Television Business

As at 31 December 2009, the Group had, together with Guangdong Southern Yinshi Network Media Company Limited (hereinafter abbreviated as "Southern Yinshi"), set up 15 local digital television project companies (hereinafter abbreviated as "local project companies") in Guangdong Province and established an operational platform with approximately 1,200,000 users of cable television.

During the year, the Group, pursuant to the cooperative agreement it had entered into with Southern Yinshi, has received an operating income of technical service fee from local project companies amounting to approximately HK$85.3 million (31 December 2008: HK$70.4 million). The rise in service fee received was mainly due to the increasing number of new subscribers during the year. However, the weak domestic and global economy environment adversely affected the consumer sentiment especially in the first half of the year. As a result, the Group reported a turnover

BUSINESS REVIEW (continued)

Digital Television Business (continued)

of approximately HK$13.4 million through the provision and manufacture of digital television equipment compared with a turnover of approximately HK$309.4 million in the previous year. The Group will continue to devote more resources and effort to explore the new domestic and export markets and the management still believe that the digital television business can generate a rewarding return to the Group in the long run.

Subsequent after the year-end, the Group entered into several agreements and non-binding memorandum of understanding with Southern Yinshi and other local project companies to acquire the digital TV equipment and other operating assets (collectively "digital TV system equipment"). The Group is committed to upgrade its digital TV system equipment in order to provide the advanced digital television technical solutions to our valuable customers. The Group believes that this capital investment will definitely increase the value of the Company and improve the shareholders' return. Details of the transactions were disclosed in the subsequent event note.

System Integration Solution Services

The system integration solution services have continued to generate stable return for the Group. The turnover and operating profit of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as "SST") for the year ended 31 December 2009 amounted to HK$284.8 million (31 December 2008: HK$266.7 million) and HK$16.1 million (31 December 2008: HK$24.2 million). The current year's operating profit was affected by the deterioration of certain customers' financial capabilities that led to the recognition of impairment loss in respect of amounts due from customers for contract work of approximately HK$7.5 million.

In order to strengthen the competitive advantage in intelligent building business, the Group disposed of its 19% interests in Sino Stride Technology Co., Limited to Carrier Asia for RMB47.5 million and the management anticipates this strategic alliance would benefit the development of SST in the long term.

The Group will continue to explore new business such as developing a series of energy saving products for the telecommunication industry. It is expected that this new opportunity will bring considerable return to the Group in future.

BUSINESS REVIEW (continued)

Traditional Business

Traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. As the Group decided to transform all the resources to manufacture the digital television equipment which have comparatively higher operating margin than the traditional electronic products, the Group disposed its 60% owned subsidiary which manufactured the low margin telephone cords and cables to an independent third party and recognised a gain of approximately HK$1.9 million in May 2009. The turnover of traditional business fell by nearly 86% to HK$29.2 million (31 December 2008: HK$209.8 million) while operating loss increased to HK$55.0 million (31 December 2008: HK$34.3 million) due to the written off of obsolete inventories of HK$21.6 million (31 December 2008: HK$12.4 million). However, the operating loss has been compensated by the receipt from an insurance claim in current year in relation to a flooding amounting to HK$16.7 million.

High Precision Metal Components

Suffering from the impact of global economic downturn, the turnover fell by nearly 45% to HK$25.9 million but the operating profit was slightly increased to HK$2.4 million (31 December 2008: HK$1.5 million). The improvement of the result was contributed to more tighten cost control measures implemented by the management.

Photomask – Discontinued operation

The photomask business is classified under discontinued operation with the disposal of Remarkable Mask Technology Company Limited ("Remarkable") completed in June 2009. Attributable turnover of Remarkable amounted to HK$8.7 million (31 December 2008: HK$38.0 million) with a reported loss of HK$37.1 million up to the date of disposal (31 December 2008: HK$73.1 million). The Group disposed its wholly owned subsidiary to an independent third party for US$42 million (approximately HK$325.5 million) and recorded a gain on disposal of about HK$206.9 million in the transaction. Details of the transaction contemplated under the agreement were disclosed in the circular to shareholders dated 18 May 2009. The first and second installments amounting to US$14.7 million (approximately HK$113.9 million) were fully received. However, there was a delay of the third installment of US$8.4 million (approximately HK$65.1 million) which was scheduled to be settled on or before 31 March 2010. Management is now in discussion with the purchaser and the response is positive. The third installment is preliminarily agreed to be extended for four months and management will monitor closely the repayment and make adequate provision if consider necessary.

Jointly Controlled Entity – Copper wire

On 31 July 2009, the Group completed the disposal of its 50% equity interest in a jointly controlled entity to the remaining shareholder for a consideration of about HK$150.8 million and recorded a gain on disposal of about HK$10.5 million. Details of the transaction contemplated under the agreement were disclosed in the circular to shareholders dated 8 July 2009. As the copper wire

BUSINESS REVIEW (continued)

Jointly Controlled Entity – Copper wire (continued)

business was heavily affected by the global financial crisis and the volatility of commodity market, the Group reported an operating loss of approximately HK$3.7 million up to the date of disposal (31 December 2008: HK$27.3 million).

OTHER INVESTMENTS

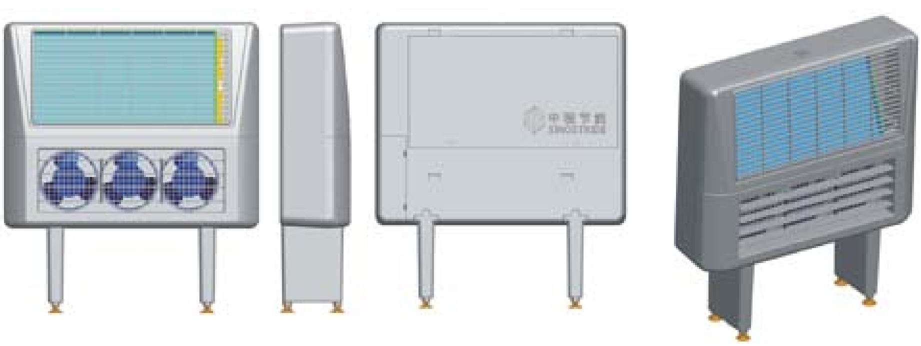
During the year, the Group disposed all 20,989,778 shares of Tianjin Printronics Circuit Corporation ("TPC") which shares are listed on Shenzhen Stock Exchange. The gain on disposal of TPC shares was approximately HK$34.3 million. Further, the Group also executed some trade transactions and disposed a portion of held for trading investments during the recent rebound from the Hong Kong stock market and recognised a gain of approximately HK$16.2 million.

PROSPECT

Along with the accelerated implementation of the State's policy of "integration of the three networks", the Group will intensify its collaboration with Guangdong Southern Yinshi Network Media Company Limited to speedy up remodeling of the existing television networks in Guangdong Province in future years, with an aim to reap income of digital television technology and added-value services through the provision of digital television technology solutions and network system equipment.

The Group believes that as the global economy stabilized, the revenue from sales of digital television equipment will rebound gradually. The Group has redeployed its resources and completed reconstruction of the plant facilities in Dongguan, well prepared for the anticipated growth in the sales of the digital television equipment business.

In addition, the Group has established a subsidiary to focus on the development of cooling system for mobile telecommunication base station in the sphere of intelligent system business, providing a series of energy saving products to reduce system energy consumption. The Group has signed cooperation agreements with some domestic mobile network companies in relation to energy-saving business, whereby the Group will provide energy-saving remodel resolution and products in accordance with energy-saving requirements of the mobile network companies. The Group believes that the new energy-saving business will bring considerable return to the Company in future.



FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 31 December 2009, as compared to 31 December 2008 is summarized below:

	As at	
	31 December 2009	31 December 2008
	HK$'000	*HK$'000*
Total Debt		
– from banks	**526,667**	287,218
– from a related company	**–**	20,038
– from finance leases	**–**	17,808
– from convertible loan notes	**395,025**	319,656
Sub-total	**921,692**	644,720
Cash and bank deposits	**408,475**	155,979
Net debt	**513,217**	488,741
Total capital (Equity and total debt)	**2,140,645**	1,656,925
Total assets	**2,686,899**	2,020,670
Financial leverage		
– net debt to total capital	**24.0%**	29.5%
– net debt to total assets	**19.1%**	24.2%

FINANCING ACTIVITIES

In order to further investing in the Digital Television Business, the Group, through a wholly owned subsidiary in the PRC, obtained an eight-year term loan facility of RMB400 million and subsequently drew an amount of RMB350 million. Such facility entails floating rate of five-year benchmark interest rate of The People's Bank of China. In addition, the Group successfully issued the principal amount of US$15 million zero coupon convertible bonds due 2014 in June 2009. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 13 May 2009.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, RMB and United States dollars. The operation results of the Group might be affected by the volatility of RMB. The Group will review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 31 December 2009, there were no derivative financial instruments employed during the year.

CAPITAL STRUCTURE

In April 2009, the Company successfully raised an amount of approximately HK$92.0 million by placing new 230,000,000 ordinary shares of the Company to an independent third party at a subscription price of HK$0.4 per ordinary share. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 27 April 2009.

During the year, a total of 1,714,000 ordinary shares of the Company was allotted and issued as a result of the exercise of share options. Therefore, the issued share capital of the Company increased to HK$535.5 million (31 December 2008: HK$477.6 million), represented by approximately 2,142.1 million ordinary shares as at 31 December 2009 (31 December 2008: approximately 1,910.4 million ordinary shares).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than those disclosed in the paragraph of Business Review above, the Group had no other material acquisition, disposal and significant investment during the year ended 31 December 2009.

CONTINGENT LIABILITIES

The contingent liabilities of the Group were arisen from cross guarantees given by SST of approximately HK$46,330,000 (31 December 2008: HK$50,850,000) for credit facilities utilized by third parties as at 31 December 2009.

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 1,026 employees at 31 December 2009.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates.

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2009.

BOARD OF DIRECTORS

Composition

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

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

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

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

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

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

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

BOARD OF DIRECTORS (continued)

Role and function

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

Board meetings

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

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

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

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

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

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2009, the Directors have made active contribution to the affairs of the Group and seven Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance records in 2009 are as follows:

	Meetings attended/Eligible to attend
Executive Directors	
Cao Zhong	6/7
Chau Chit	7/7
Mung Kin Keung *(appointed on 16 February 2009)*	4/6
Tzu San Te *(resigned on 17 April 2009)*	1/2
Non-executive Directors	
Leung Shun Sang, Tony	7/7
Chen Jang Fung	0/7
Chan Wah Tip, Michael	7/7
Lee Fook Sun	0/7
James Alan Chiddix *(appointed on 16 February 2009)*	4/6
Independent Non-executive Directors	
Kan Lai Kuen, Alice	7/7
Wong Kun Kim	7/7
Leung Kai Cheung	7/7

Access to information

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

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

BOARD OF DIRECTORS (continued)

Appointments and re-election of Directors

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

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

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

Independent Non-executive Directors

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

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

Directors' and officers' liability

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

CHAIRMAN AND MANAGING DIRECTOR

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

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

BOARD COMMITTEES

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

Executive Committee

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

As at 31 December 2009, the members of the Executive Committee were as follows:

- Cao Zhong *(Chairman)*
- Chau Chit
- Mung Kin Keung

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

Audit Committee

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

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

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

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

BOARD COMMITTEES (continued)

Audit Committee (continued)

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

	Meetings attended/Eligible to attend
Wong Kun Kim *(Chairman)*	2/2
Chan Wah Tip, Michael	2/2
Kan Lai Kuen, Alice	2/2
Leung Kai Cheung	2/2

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

- reviewing the final results of the Group for the financial year ended 31 December 2008; and
- reviewing the interim results of the Group for the six months ended 30 June 2009.

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

Nomination Committee

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

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and
- assessing the independence of Independent Non-executive Directors.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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

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

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

	Meetings attended/Eligible to attend
Cao Zhong *(Chairman)*	2/2
Leung Shun Sang, Tony *(Vice Chairman)*	2/2
Kan Lai Kuen, Alice	2/2
Wong Kun Kim	2/2
Leung Kai Cheung	2/2

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

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

- considering the nominations of Mr. Mung Kin Keung and Mr. James Alan Chiddix as an Executive Director and a Non-executive Director of the Company respectively; and
- reviewing the structure of the Board.

BOARD COMMITTEES (continued)

Remuneration Committee

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

The principal duties of the Remuneration Committee include:

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

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

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

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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

	Meetings attended/Eligible to attend
Leung Shun Sang, Tony *(Chairman)*	2/2
Cao Zhong *(Vice Chairman)*	2/2
Kan Lai Kuen, Alice	2/2
Wong Kun Kim	2/2
Leung Kai Cheung	2/2

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

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

- considering the terms of service contract of Mr. Mung Kin Keung and the terms of engagement letter of Mr. James Alan Chiddix;
- reviewing the remuneration and terms of service contracts of the Executive Directors of the Company;
- determining the bonuses of the Executive Directors of the Company for the year 2009; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2010.

Investment Committee

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

BOARD COMMITTEES (continued)

Investment Committee (continued)

As at 31 December 2009, the members of the Investment Committee were as follows:

- Cao Zhong
- Chau Chit
- Mung Kin Keung
- Leung Shun Sang, Tony
- Leung Kai Cheung

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

INTERNAL CONTROL

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

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

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

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

INTERNAL CONTROL (continued)

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

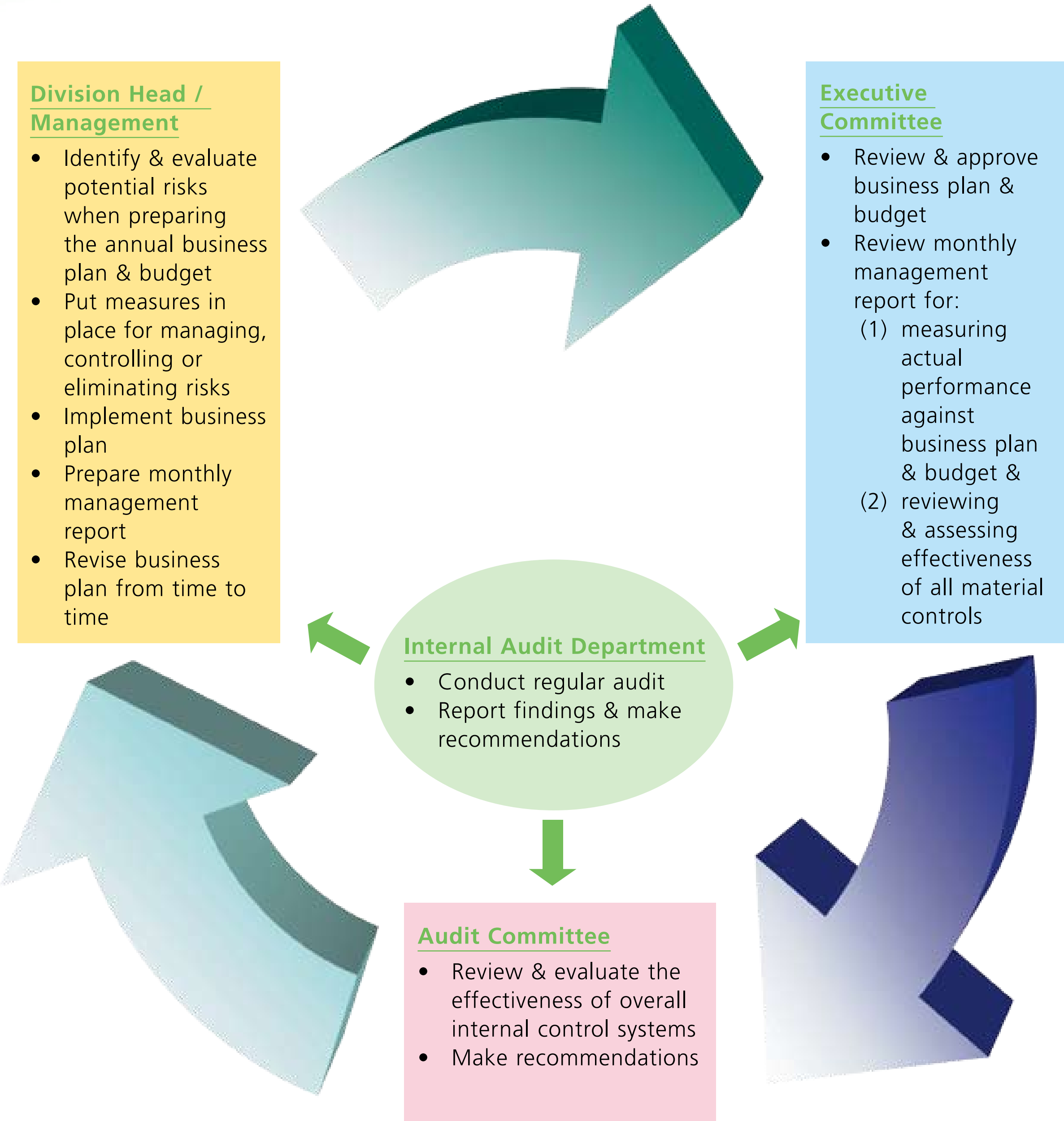
The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

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

The Company has set up an Internal Audit Department in early 2009 which assists the Executive Committee and the Audit Committee to discharge its duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Executive Committee and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

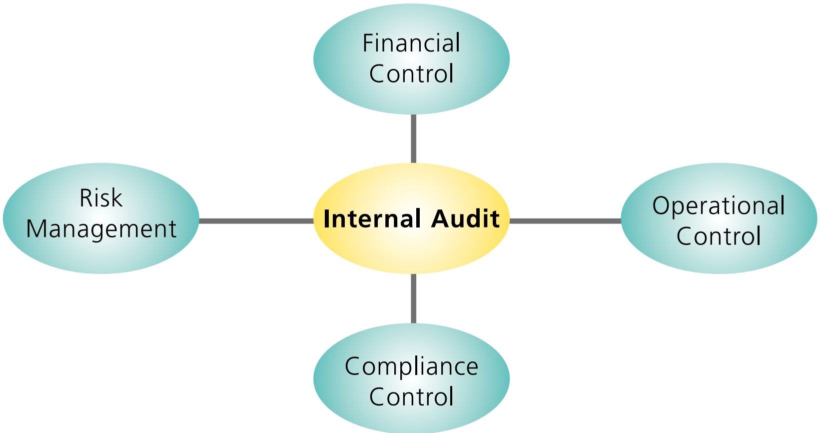
INTERNAL CONTROL (continued)

Internal control system



INTERNAL CONTROL (continued)

Internal audit functions



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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2009.

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

AUDITOR'S REMUNERATION

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

Services rendered	**Fee paid/payable** HK$'000
Audit services	3,192
Non-audit services:	
Taxation	358
	3,550

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 55 to 56 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

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

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

COMMUNICATION WITH SHAREHOLDERS (continued)

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

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 23, 24 and 25 to the financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group at that date are set out in the financial statements on pages 57 to 198 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2008: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 199 to 200 of this annual report.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 42 to the financial statements.

CONVERTIBLE LOAN NOTES

Details of movements in the Company's convertible loan notes during the year are set out in note 40 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 62 to 64 of this annual report and in note 45 to the financial statements, respectively.

DIRECTORS

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

Cao Zhong	
Chau Chit	
Mung Kin Keung	*(appointed on 16 February 2009)*
Leung Shun Sang, Tony	
Chen Jang Fung	
Chan Wah Tip, Michael	
Lee Fook Sun	
James Alan Chiddix	*(appointed on 16 February 2009)*
Kan Lai Kuen, Alice*	
Wong Kun Kim*	
Leung Kai Cheung*	
Tzu San Te	*(resigned on 17 April 2009)*

* *Independent Non-executive Directors*

In accordance with clause 103(A) of the Company's articles of association, Mr. Chau Chit, Mr. Lee Fook Sun, Ms. Kan Lai Kuen, Alice and Mr. Wong Kun Kim will retire and, being eligible, save for Ms. Kan Lai Kuen, Alice who will not offer herself for re-election due to her other engagements, Mr. Chau Chit, Mr. Lee Fook Sun and Mr. Wong Kun Kim will offer themselves for re-election at the forthcoming annual general meeting of the Company. It is proposed that Mr. Wong Wai Kwan be elected as an Independent Non-executive Director to fill up the vacated office of Ms. Kan Lai Kuen, Alice at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

The Directors of the Company who held office at 31 December 2009 had the following interests in the shares and underlying shares of the Company as at 31 December 2009 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in the Company: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2009
Cao Zhong	Beneficial owner	15,438,000	26,826,000	42,264,000	1.97%
Chau Chit	Beneficial owner and interests of a controlled corporation	316,598,000	18,750,000	335,348,000	15.65%
Mung Kin Keung	Beneficial owner and interests of a controlled corporation	115,614,000	10,000,000	125,614,000	5.86%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	23,439,810	43,439,810	2.02%
Chen Jang Fung	Beneficial owner	–	3,514,000	3,514,000	0.16%
Chan Wah Tip, Michael	Beneficial owner	–	3,914,000	3,914,000	0.18%
Lee Fook Sun	Beneficial owner	–	1,800,000	1,800,000	0.08%
Kan Lai Kuen, Alice	Beneficial owner	–	3,514,000	3,514,000	0.16%
Wong Kun Kim	Beneficial owner	–	3,514,000	3,514,000	0.16%
Leung Kai Cheung	Beneficial owner	1,714,000	1,800,000	3,514,000	0.16%

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

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

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

Save as disclosed above, as at 31 December 2009, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

Such business may be carried out through its subsidiaries.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2009, according to the register kept by the Company under Section 336 of the SFO (the "Register"), 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 ("Notifiable Interest"):

Long positions in the shares and underlying shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 31.12.2009	*Note(s)*
		Interests in shares	Interests in underlying shares	Total interests		
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	417,265,098	–	417,265,098	19.47%	*1*
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	–	231,515,151	10.80%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	–	170,044,069	7.93%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	50,000,000*	174,069,394	8.12%	*2, 3*
Max Same Investment Limited ("Max Same")	Beneficial owner	107,654,173	–	107,654,173	5.02%	*2*
Li Ka-shing ("Mr. Li")	Interests of controlled corporations, founder of discretionary trusts	124,069,394	200,000,000*	324,069,394	15.12%	*3, 4*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	50,000,000*	174,069,394	8.12%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	50,000,000*	174,069,394	8.12%	*3*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	50,000,000*	174,069,394	8.12%	*3*

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

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

Name of shareholder	Capacity in which interests are held	Number of shares/underlying shares in the Company: Interests in shares	Interests in underlying shares	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2009	*Note(s)*
Mayspin Management Limited ("Mayspin")	Interests of a controlled corporation	–	150,000,000*	150,000,000	7.00%	*4*
Sicilia Holdings Limited ("Sicilia")	Beneficial owner	–	150,000,000*	150,000,000	7.00%	*4*
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	–	301,160,000	14.05%	5
Temasek Holdings (Private) Limited ("Temasek")	Interests of controlled corporations	133,523,480	–	133,523,480	6.23%	6
Singapore Technologies Engineering Ltd ("ST Engineering")	Interests of a controlled corporation	133,523,480	–	133,523,480	6.23%	6
Singapore Technologies Electronics Limited ("ST Electronics")	Beneficial owner	133,523,480	–	133,523,480	6.23%	6
Argepa Participations S.A.	Interests of controlled corporations	80,000,000	150,000,000*	230,000,000	10.73%	*7*
Zygmunt Zaleski Stichting ("ZZS")	Interests of controlled corporations	80,000,000	150,000,000*	230,000,000	10.73%	*7*
Carlo Tassara S.p.A. ("CT S.p.A.")	Interests of controlled corporations	80,000,000	150,000,000*	230,000,000	10.73%	*7*
Expert China Investments Limited	Beneficial owner	230,000,000	–	230,000,000	10.73%	
Templeton Asset Management Ltd.	Investment manager	–	193,750,000#	193,750,000	9.04%	

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

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

* *The relevant interests are 3% convertible notes due on 17 April 2011 with an aggregate principal amount of HK$385,000,000 issued by the Company pursuant to the subscription agreement dated 3 April 2008. Upon full conversion of the convertible notes at the initial conversion price of HK$1.10 per share (subject to adjustment), a total of 350,000,000 conversion shares of the Company will be allotted and issued.*

\# *The relevant interests are zero coupon convertible bonds due 2014 in the principal amount of US$15,000,000 issued by the Company pursuant to the subscription agreement dated 13 May 2009. Upon full conversion of the convertible bonds at the initial conversion price of HK$0.60 per share (subject to adjustment), a total of 193,750,000 conversion shares of the Company will be allotted and issued.*

Notes:

1. Shougang Holding indicated in its disclosure form dated 15 December 2009 (being the latest disclosure form filed up to 31 December 2009) that as at 11 December 2009, its interests included 231,515,151 and 170,044,069 shares of the Company held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding. Wheeling was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Shougang Holding.

2. Cheung Kong indicated in its disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 31 December 2009) that as at 19 May 2009, its interests included 107,654,173 shares of the Company held by Max Same, a wholly-owned subsidiary of Cheung Kong. Max Same was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Cheung Kong.

3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

   In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

   By virtue of the SFO, each of Mr. Li, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

4. Mr. Li indicated in his disclosure form dated 22 May 2009 (being the latest disclosure form filed up to 31 December 2009) that as at 19 May 2009, his interests included the interests held by Mayspin which was wholly-owned by Mr. Li.

   Mayspin indicated in its disclosure form dated 8 April 2008 (being the latest disclosure form filed up to 31 December 2009) that as at 3 April 2008, its interests included the interests held by Sicilia, a wholly-owned subsidiary of Mayspin.

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

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

Notes: (continued)

5. Mega Start was wholly-owned by Chau Chit ("Mr. Chau"), a director of the Company. Mr. Chau indicated in his disclosure form dated 18 December 2009 (being the latest disclosure form filed up to 31 December 2009) that as at 16 December 2009, his interests included 301,160,000 shares of the Company held by Mega Start. Such interest was disclosed as the interest of Mr. Chau under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

6. Temasek indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 31 December 2009) that as at 4 March 2008, its interests included 133,523,480 shares of the Company held by ST Engineering which was controlled by Temasek as to 50.77%.

   ST Engineering indicated in its disclosure form dated 11 March 2008 (being the latest disclosure form filed up to 31 December 2009) that as at 4 March 2008, its interests included 133,523,480 shares of the Company held by ST Electronics, a wholly-owned subsidiary of ST Engineering.

7. Argepa Participations S.A. indicated in its disclosure form dated 21 May 2009 (being the latest disclosure form filed up to 31 December 2009) that as at 19 May 2009, its interests included 230,000,000 shares of the Company held by Carlo Tassara Assets Management S.A. ("CTAM S.A.") which was controlled by Carlo Tassara International S.A. ("CTI S.A.") and CT S.p.A. as to 83.42% and 16.58% respectively. CTI S.A. is a wholly-owned subsidiary of CT S.p.A. which in turn was controlled by Argepa Participations S.A. as to 40.99%.

   ZZS indicated in its disclosure form dated 21 May 2009 (being the latest disclosure form filed up to 31 December 2009) that as at 19 May 2009, its interests included 230,000,000 shares of the Company held by CTAM S.A. which was controlled by CTI S.A. and CT S.p.A. as to 83.42% and 16.58% respectively. CTI S.A. is a wholly-owned subsidiary of CT S.p.A. which in turn was controlled by ZZS as to 46.09%.

   CT S.p.A. indicated in its disclosure form dated 21 May 2009 (being the latest disclosure form filed up to 31 December 2009) that as at 19 May 2009, its interests included 230,000,000 shares of the Company held by CTAM S.A. which was controlled by CTI S.A. and CT S.p.A. as to 83.42% and 16.58% respectively. CTI S.A. is a wholly-owned subsidiary of CT S.p.A.

Save as disclosed above, as at 31 December 2009, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

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

SHARE OPTION SCHEMES

(a) Share Option Scheme of the Company

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

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

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

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 248,518,810 which represents approximately 11.60% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 174,718,898, representing approximately 8.16% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors.

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

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

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

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

No share option was cancelled in accordance with the terms of the Scheme during the year. Details of the movements in the share options under the Scheme during the year were as follows:

	Options to subscribe for shares of the Company									
Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Exercised during the year[2]	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company										
Cao Zhong	8,026,000	–	–	–	–	–	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	18,800,000	–	–	–	–	–	18,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	26,826,000	–	–	–	–	–	26,826,000			
Chau Chit	10,000,000	–	–	–	–	–	10,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	–	8,750,000	–	–	–	–	8,750,000	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596
	10,000,000	8,750,000	–	–	–	–	18,750,000			

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

	Options to subscribe for shares of the Company									
Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Exercised during the year[2]	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)										
Mung Kin Keung	–	10,000,000	–	–	–	–	10,000,000	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596
	–	10,000,000	–	–	–	–	10,000,000			
Tzu San Te	3,008,000	–	–	–	–	(3,008,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	5,000,000	–	–	–	–	(5,000,000)[3]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	8,008,000	–	–	–	–	(8,008,000)	–			
Leung Shun Sang, Tony	4,816,000	–	–	–	–	–	4,816,000	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	3,200,000	–	–	–	–	–	3,200,000	14.03.2003	14.03.2003 – 13.03.2013	HK$0.495
	423,810	–	–	–	–	–	423,810	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	15,000,000	–	–	–	–	–	15,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	23,439,810	–	–	–	–	–	23,439,810			
Chen Jang Fung	1,714,000	–	–	–	–	–	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,514,000	–	–	–	–	–	3,514,000			
Chan Wah Tip, Michael	400,000	–	–	–	–	–	400,000	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	1,714,000	–	–	–	–	–	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,914,000	–	–	–	–	–	3,914,000			
Lee Fook Sun	1,800,000	–	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	1,800,000	–	–	–	–	–	1,800,000			
Kan Lai Kuen, Alice	1,714,000	–	–	–	–	–	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,514,000	–	–	–	–	–	3,514,000			

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

	Options to subscribe for shares of the Company									
Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Exercised during the year[2]	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)										
Wong Kun Kim	1,714,000	–	–	–	–	–	1,714,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,514,000	–	–	–	–	–	3,514,000			
Leung Kai Cheung	1,714,000	–	–	–	(1,714,000)	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	1,800,000	–	–	–	–	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	3,514,000	–	–	–	(1,714,000)	–	1,800,000			
	88,043,810	18,750,000	–	–	(1,714,000)	(8,008,000)	97,071,810			
Employees of the Group	2,000	–	–	–	–	(2,000)[4]	–	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	4,000,000	–	–	–	–	–	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK$1.200
	5,292,000	–	(5,292,000)[5]	–	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	99,000,000	–	(5,000,000)[5]	–	–	(9,000,000)[4]	85,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	108,294,000	–	(10,292,000)	–	–	(9,002,000)	89,000,000			
Other participants	32,104,000	–	–	–	–	–	32,104,000	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580
	14,069,000	–	–	–	–	–	14,069,000	14.03.2003	14.03.2003 – 13.03.2013	HK$0.495
	11,982,000	–	–	–	–	–	11,982,000	18.03.2004	18.03.2004 – 17.03.2014	HK$1.200
	–	–	–	5,292,000[5]	–	–	5,292,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.406
	8,000,000	–	–	5,000,000[5]	–	(8,000,000)[6]	5,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.780
	66,155,000	–	–	10,292,000	–	(8,000,000)	68,447,000			
	262,492,810	18,750,000	(10,292,000)	10,292,000	(1,714,000)	(25,010,000)	254,518,810			

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

Notes:

1. (a) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.57 per share.

   (b) The fair value of the share options determined at the date of grant using the Binomial Option Valuation pricing model was approximately HK$5,597,000. Details of the calculation of the fair value of the share options are set out in note 43 to the financial statements.

2. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$0.54 per share.

3. The share options were held by Mr. Tzu San Te who resigned as a Director of the Company during the year and such share options were lapsed on 17 April 2009.

4. The share options were held by three grantees who ceased to be employees of the Group during the year and such share options were lapsed on 1 January 2009, 1 May 2009 and 6 November 2009 respectively.

5. The share options were held by a grantee who ceased to be an employee of the Group during the year and the Board approved the extension of the exercise period for such share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Employees of the Group" to "Other participants" during the year.

6. The share options were held by a grantee who ceased to be an eligible participant of the Company during the year and such share options were lapsed on 5 September 2009.

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited

Remarkable Mask Technology Company Limited ("Remarkable"), previously a wholly-owned subsidiary of the Company, adopted a share option scheme (the "Remarkable Scheme") on 8 June 2004.

The purpose of the Remarkable Scheme is to enable Remarkable to grant share options to selected participants as incentives or rewards for their contribution to Remarkable or its subsidiaries. The Remarkable Scheme will remain in force for a period of 10 years commencing on 8 June 2004, being the date of adoption of the Remarkable Scheme, to 7 June 2014.

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

Under the Remarkable Scheme, the directors of Remarkable may, at their absolute discretion, offer directors or proposed directors (including executive, non-executive or independent non-executive directors), employees or proposed employees (whether full-time or part-time), suppliers and customers of Remarkable or any of its subsidiaries or any of its associated companies, persons or entities that provide consultancy, advices, research, development or other technological support to Remarkable or any of its subsidiaries or any of its associated companies, partners or business associates and shareholders of Remarkable or any of its subsidiaries or any of its associated companies or holders of any securities issued by Remarkable or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of Remarkable, provided always that such determination shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.

No share option to subscribe for shares of Remarkable has ever been granted under the Remarkable Scheme.

The total number of shares of Remarkable available for issue upon exercise of all share options which may be granted under the Remarkable Scheme is 3,300,000, representing approximately 7.33% of the issued share capital of Remarkable as at the date of this annual report. The total number of shares of Remarkable issued and to be issued upon the exercise of share options granted under the Remarkable Scheme (including both exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of Remarkable as at the date of grant. Any further grant of share options in excess of this limit is subject to the approval of shareholders of the Company in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of Remarkable in issue (based on the date of offer), within any 12-month period, are subject to the approval of shareholders of the Company in advance in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors of the Company.

The period during which a share option may be exercised will be determined by the directors of Remarkable at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Remarkable Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of Remarkable are empowered to impose at their discretion any such minimum period at the time of grant of any share options, provided always that such conditions shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

The exercise price in relation to each share option will be determined by the directors of Remarkable at their discretion and shall not be less than the nominal value of the shares of Remarkable and shall be subject to the approval of the directors of the Company or any committee duly constituted thereof. The exercise price in respect of each share option granted after the Company has contemplated a separate listing of Remarkable on the main board or the Growth Enterprise Market ("GEM") of the Stock Exchange or an overseas stock exchange and up to the listing date of Remarkable must be not lower than the new issue price (if any) of the shares of Remarkable. In the event that Remarkable is separately listed on the main board or the GEM of the Stock Exchange or an overseas stock exchange, the Remarkable Scheme will continue to have effect pursuant to the terms thereof and the exercise price of each share option in respect of an offer made after such listing shall be at least the higher of (i) the closing price of shares of Remarkable as stated in the stock exchange's daily quotations on the date of offer of share options; (ii) the average closing price of shares of Remarkable as stated in the stock exchange's daily quotations for the five business days immediately preceding the date of offer of share options (and for the purpose of calculating the exercise price where Remarkable has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing); and (iii) the nominal value of the shares of Remarkable.

Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Remarkable Scheme. The offer of share options must be accepted within 28 days from the date of the offer.

Pursuant to the sale and purchase agreement dated 27 April 2009 entered into between Ready Shine Industrial Limited ("Ready Shine"), a wholly-owned subsidiary of the Company, and Sunrich Investment Limited ("Sunrich"), Ready Shine agreed to sell the entire issued share capital of Remarkable to Sunrich (the "Disposal"). The Disposal was completed on 11 June 2009. Since then, Remarkable ceased to be a subsidiary of the Company.

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

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

DISTRIBUTABLE RESERVES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for 19% and 42% respectively of the total sales for the year. Purchases from the largest one and five largest suppliers accounted for 33% and 39% respectively of the total purchases for the year. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the year and up to the date of this annual report:

As stated in the announcement of the Company dated 4 January 2007, the Company entered into a master agreement (the "Master Agreement") with Shougang Concord Century Holdings Limited ("Shougang Century") on 3 January 2007 to renew the transactions as disclosed in the joint announcement published by the Company and Shougang Century on 4 May 2004 in relation to the sale and purchase of copper sheets and brass sheets between the respective subsidiaries of the Company and Shougang Century. Pursuant to the Master Agreement, the Company and/or its associates has agreed to purchase from Shougang Century and/or its associates, and Shougang Century and/or its associates has agreed to supply to the Company and/or its associates, copper sheets, brass sheets and other copper and brass products for a term of three years commencing on 1 January 2007. The annual cap for the transactions under the Master Agreement for each financial year ended 31 December 2007, 31 December 2008 and 31 December 2009 would be HK$10,000,000 and each of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules would be less than 2.5%. The transactions would constitute continuing connected transactions for the Company and was only subject to reporting and announcement requirements as set out in Rule 14A.45 to 14A.47 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

The continuing connected transactions as set out above which took place during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that:

(1) the transactions were entered into in the ordinary and usual course of business of the relevant members of the Group;

(2) the transactions were conducted on normal commercial terms, or if there was no available comparison, on terms that were no less favourable than terms available to or from (as the case may be) independent third parties; and

(3) the transactions were entered into in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

As far as the transactions took place during the year as set out in note 55(a) to the financial statements under the heading of "Related Party Transactions" are concerned, the transactions as set out in note (vi) were continuing connected transactions which had been disclosed by way of announcement by the Company. The transactions as set out in notes (i), (ii) and (iii) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 55(b) to the financial statements under the heading of "Related Party Transactions" are concerned, the transaction as set out in note 38 to the financial statements was connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 55(c) to the financial statements under the heading of "Related Party Transactions" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

As far as the transactions set out in note 55(d) to the financial statements under the heading of "Related Party Transactions" are concerned, the guarantees provided by the guarantors to secure the Group's general banking facilities for the benefit of the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

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

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 35 of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 57 to the financial statements.

AUDITOR

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

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 15 April 2010

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 198, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	7	**441,671**	905,540
Cost of sales		**(349,512)**	(661,468)
Gross profit		**92,159**	244,072
Other income, gains and losses	9	**5,003**	(10,101)
Selling and distribution costs		**(9,229)**	(13,278)
Administrative expenses		**(94,041)**	(103,329)
Fair value changes on investment properties	17	**1,385**	(635)
Increase (decrease) in fair value of held for trading investments		**16,192**	(20,432)
Gain on disposal of available-for-sale investments	27	**34,295**	15,051
Gain on disposal of subsidiaries	47(d)	**660**	–
Loss on disposal of partial interests in a subsidiary	44	**(15,907)**	–
Gain on deemed disposal of a subsidiary	48	**–**	1,308
Gain on disposal of a jointly controlled entity	49	**10,470**	–
Gain on fair value change of the derivative components of convertible loan notes	40	**2,362**	–
Share of (loss) profit of associates		**(2,189)**	7,100
Share of loss of jointly controlled entities		**(3,727)**	(27,325)
Finance costs	10	**(67,502)**	(43,995)
(Loss) profit before tax		**(30,069)**	48,436
Income tax credit (expense)	11	**3,213**	(961)
(Loss) profit for the year from continuing operations	12	**(26,856)**	47,475
Discontinued operation			
Profit (loss) for the year from discontinued operation	13	**169,808**	(73,086)
Profit (loss) for the year		**142,952**	(25,611)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Other comprehensive income			
Exchange differences on translation			
Share of translation difference of associates		–	11,018
Share of translation difference of jointly controlled entities		–	3,375
Exchange difference arising during the year		**927**	18,889
Reclassification adjustment upon deemed disposal of a subsidiary		–	(42)
Reclassification adjustment upon disposal of a jointly controlled entity		**(7,219)**	–
Available-for-sale investments			
Share of revaluation of available-for-sale investments of associates		**15,417**	–
Fair value gain on available-for-sale investments		**8,838**	73,945
Reclassification adjustment on sale of available-for-sale investments		**(57,162)**	(25,621)
Revaluation of property			
Gain on revaluation upon transfer from property, plant and equipment to investment properties		**6,048**	–
Other comprehensive (expense) income for the year		**(33,151)**	81,564
Total comprehensive income for the year		**109,801**	55,953
Profit (loss) for the year attributable to:			
Owners of the Company		**141,197**	(30,745)
Minority interests		**1,755**	5,134
		142,952	(25,611)
Total comprehensive income attributable to:			
Owners of the Company		**108,455**	47,063
Minority interests		**1,346**	8,890
		109,801	55,953
Earnings (loss) per share	16		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**6.87**	(1.60)
From continuing operations			
Basic and diluted (HK cents)		**(1.39)**	2.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	17	**40,900**	10,508
Property, plant and equipment	18	**91,931**	226,324
Prepaid lease payments	19	**7,474**	8,993
Goodwill	20	**193,110**	235,364
Intangible assets	21	**120,201**	119,734
Deposits paid	22	**353,870**	105,903
Investments in associates	24	**86,788**	6,122
Investments in jointly controlled entities	25	**–**	151,742
Available-for-sale investments	27	**16,849**	15,974
Club debentures	28	**700**	630
Deferred tax assets	46	**4,429**	4,313
Other receivable	13	**31,298**	–
		947,550	885,607
Current assets			
Prepaid lease payments	19	**360**	393
Inventories	29	**63,289**	150,553
Trade and bills receivables	30(a)	**291,120**	368,980
Prepayments, deposits and other receivables	30(b)	**620,390**	120,237
Available-for-sale investments	27	**–**	116,221
Held for trading investments	31	**4,826**	14,219
Amounts due from customers for contract work	32	**336,046**	188,518
Amount due from an associate	33	**–**	47
Amount due from a jointly controlled entity	33	**–**	1,824
Tax recoverable		**1,720**	17
Pledged bank deposits	35	**13,123**	18,075
Bank balances and cash	36	**408,475**	155,979
		1,739,349	1,135,063
Current liabilities			
Trade and bills payables	37	**243,194**	199,234
Other payables, deposits received and accruals		**97,873**	103,343
Provision	13	**40,162**	–
Amounts due to customers for contract work	32	**28,847**	24,544
Amount due to an associate	33	**643**	–
Loan from a related company	38	**–**	20,038
Tax liabilities		**11,496**	5,930
Bank borrowings – due within one year	39	**130,256**	285,415
Obligations under finance leases – due within one year	41	**–**	6,072
		552,471	644,576
Net current assets		**1,186,878**	490,487
Total assets less current liabilities		**2,134,428**	1,376,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank borrowings – due after one year	39	**396,411**	1,803
Convertible loan notes	40	**395,025**	319,656
Embedded derivative components of convertible loan notes	40	**72,829**	–
Obligations under finance leases – due after one year	41	**–**	11,736
Deferred tax liabilities	46	**6,782**	13,413
		871,047	346,608
Net assets		**1,263,381**	1,029,486
Capital and reserves			
Share capital	42	**535,535**	477,607
Reserves		**683,418**	534,598
Equity attributable to owners of the Company		**1,218,953**	1,012,205
Minority interests		**44,428**	17,281
Total equity		**1,263,381**	1,029,486

The consolidated financial statements on pages 57 to 198 were approved and authorised for issue by the Board of Directors on 15 April 2010 and are signed on its behalf by:

Cao Zhong
DIRECTOR

Chau Chit
DIRECTOR

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**8,113**	10,421
Investments in subsidiaries	23	**73,979**	66,313
Advances to subsidiaries	23	**410,876**	164,793
Club debentures	28	**700**	520
		493,668	242,047
Current assets			
Other receivables		**2,724**	928
Amounts due from subsidiaries	34	**735,998**	1,273,688
Bank balances and cash	36	**42,484**	4,931
		781,206	1,279,547
Current liabilities			
Other payables		**6,586**	11,746
Amounts due to subsidiaries	34	**26,287**	246,867
Loan from a related company	38	**–**	20,038
Bank borrowings – due within one year	39	**3,696**	181,455
		36,569	460,106
Net current assets		**744,637**	819,441
Total assets less current liabilities		**1,238,305**	1,061,488
Non-current liabilities			
Bank borrowings – due after one year	39	**911**	1,803
Convertible loan notes	40	**395,025**	319,656
Embedded derivative components of convertible loan notes	40	**72,829**	–
Deferred tax liabilities	46	**6,426**	12,797
		475,191	334,256
Net assets		**763,114**	727,232
Capital and reserves			
Share capital	42	**535,535**	477,607
Reserves	45	**227,579**	249,625
Equity attributable to owners of the Company		**763,114**	727,232

Cao Zhong
DIRECTOR

Chau Chit
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Other reserves HK$'000 (note a)	Translation reserve HK$'000	Capital reserve HK$'000 (note b)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	471,947	607,960	2,084	–	360	19,205	53,690	–	7,103	(296,922)	–	865,427	77,552	942,979
Loss for the year	–	–	–	–	–	–	–	–	–	(30,745)	–	(30,745)	5,134	(25,611)
Share of translation difference of associates	–	–	–	–	–	11,018	–	–	–	–	–	11,018	–	11,018
Share of translation difference of jointly controlled entities	–	–	–	–	–	3,375	–	–	–	–	–	3,375	–	3,375
Exchange difference arising during the year	–	–	–	–	–	15,133	–	–	–	–	–	15,133	3,756	18,889
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	73,945	–	–	–	73,945	–	73,945
Reclassification adjustment on sale of available-for-sale investments	–	–	–	–	–	–	–	(25,621)	–	–	–	(25,621)	–	(25,621)
Reclassification adjustment upon deemed disposal of a subsidiary	–	–	–	–	–	(42)	–	–	–	–	–	(42)	–	(42)
Total comprehensive income (expense) for the year	–	–	–	–	–	29,484	–	48,324	–	(30,745)	–	47,063	8,890	55,953
Share issue expenses	–	(104)	–	–	–	–	–	–	–	–	–	(104)	–	(104)
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	–	30,295	–	–	30,295	–	30,295
Recognition of convertible loan notes equity reserve	–	–	–	–	–	–	–	–	–	–	82,356	82,356	–	82,356
Exercise of share options	16,033	21,348	–	–	–	–	–	–	(6,955)	–	–	30,426	–	30,426
Share repurchased	(10,373)	(19,296)	–	–	–	–	–	–	–	–	–	(29,669)	–	(29,669)
Arising from acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(2,179)	(2,179)
Deferred tax of convertible loan notes equity reserve	–	–	–	–	–	–	–	–	–	–	(13,589)	(13,589)	–	(13,589)
Dividend paid to a minority shareholder (note 27)	–	–	–	–	–	–	–	–	–	–	–	–	(66,830)	(66,830)
Deemed disposal of a subsidiary (note 48)	–	–	–	–	–	–	–	–	–	–	–	–	(152)	(152)
At 31 December 2008 and 1 January 2009	477,607	609,908	2,084	–	360	48,689	53,690	48,324	30,443	(327,667)	68,767	1,012,205	17,281	1,029,486

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Other reserves HK$'000 (note a)	Translation reserve HK$'000	Capital reserve HK$'000 (note b)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Profit for the year	–	–	–	–	–	–	–	–	–	141,197	–	141,197	1,755	142,952
Share of revaluation of available-for-sale investment of associates	–	–	–	–	–	–	–	15,417	–	–	–	15,417	–	15,417
Exchange difference arising during the year	–	–	–	–	–	1,336	–	–	–	–	–	1,336	(409)	927
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	8,838	–	–	–	8,838	–	8,838
Reclassification adjustment on sale of available-for-sale investments	–	–	–	–	–	–	–	(57,162)	–	–	–	(57,162)	–	(57,162)
Gain on revaluation upon transfer from property, plant and equipment to investment properties	–	–	–	6,048	–	–	–	–	–	–	–	6,048	–	6,048
Reclassification adjustment upon disposal of a jointly controlled entity	–	–	–	–	–	(7,219)	–	–	–	–	–	(7,219)	–	(7,219)
Total comprehensive income (expense) for the year	–	–	–	6,048	–	(5,883)	–	(32,907)	–	141,197	–	108,455	1,346	109,801
Issue of new shares	57,500	34,500	–	–	–	–	–	–	–	–	–	92,000	–	92,000
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	–	5,597	–	–	5,597	–	5,597
Exercise of share options	428	456	–	–	–	–	–	–	(188)	–	–	696	–	696
Lapse of share options	–	–	–	–	–	–	–	–	(4,393)	4,393	–	–	–	–
Arising from acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(973)	(973)
Disposal of partial interest in a subsidiary (note 44)	–	–	–	–	–	–	–	–	–	–	–	–	27,190	27,190
Disposal of interest in a subsidiary (note 47(a))	–	–	–	–	–	–	–	–	–	–	–	–	(6,975)	(6,975)
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	–	6,559	6,559
At 31 December 2009	535,535	644,864	2,084	6,048	360	42,806	53,690	15,417	31,459	(182,077)	68,767	1,218,953	44,428	1,263,381

Notes:

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009 HK$'000**	2008 HK$'000
OPERATING ACTIVITIES			
Profit (loss) for the year		**142,952**	(25,611)
Adjustments for:			
Income tax (credit) expense		**(3,213)**	961
Amortisation of intangible assets		**6,402**	5,376
(Increase) decrease in fair value of held for trading investments		**(16,192)**	20,432
Depreciation of property, plant and equipment		**37,324**	68,193
Expense on issues of convertible loan notes		**–**	90
Gain on deemed disposal of a subsidiary	48	**–**	(1,308)
Loss on disposal of partial interests in a subsidiary	44	**15,907**	–
Gain on fair value change of the derivative components of convertible loan notes		**(2,362)**	–
Gain on disposal of a jointly controlled entity	49	**(10,470)**	–
Gain on disposal of available-for-sale investments	27	**(34,295)**	(15,051)
Gain on disposal of subsidiaries	47(d)	**(207,564)**	–
Allowance for inventories		**–**	742
(Reversal of) impairment loss in respect of trade receivables		**(266)**	13,704
Impairment loss in respect of amounts due from customers for contract work		**7,514**	6,589
Impairment loss in respect of property, plant and equipment		**–**	4,245
Impairment loss in respect of investment in an associate		**2,542**	–
Impairment loss in respect of investment in a jointly controlled entity		**470**	–
(Increase) decrease in fair value of investment properties		**(1,385)**	635
Interest income		**(1,073)**	(1,953)
Interest on loan from a related company		**209**	689
Interest on bank borrowings and finance leases		**23,138**	21,562
Interest on convertible loan notes		**45,892**	24,623
Loss on disposal of property, plant and equipment		**3,105**	162
Release of prepaid lease payments		**372**	393
Share-based payment expense		**5,597**	30,295
Share of loss (profit) of associates		**2,189**	(7,100)
Share of loss of jointly controlled entities		**3,727**	27,325
Written off of inventories		**21,593**	12,444

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009 HK$'000**	2008 HK$'000
Operating cash flows before movements in working capital		**42,113**	187,437
Increase in inventories		**(21,566)**	(31,008)
Decrease (increase) in trade and bills receivables		**78,099**	(196,418)
(Increase) decrease in prepayments, deposits and other receivables		**(143,619)**	54,763
Increase in amounts due from customers for contract work		**(27,953)**	(15,393)
Increase in amount due to (from) an associate		**690**	(766)
(Decrease) increase in trade and bills payables		**(8,789)**	5,034
Decrease (increase) in held for trading investments		**25,585**	(34,651)
Increase in other payables, deposits received and accruals		**12,211**	4,526
Increase (decrease) in amounts due to customers for contract work		**4,306**	(16,028)
Decrease in amount due to a jointly controlled entity		**(176)**	(1,950)
Cash used in operations		**(39,099)**	(44,454)
Interest paid		**(32,612)**	(30,416)
PRC Income Tax paid		**(3,191)**	(2,944)
Hong Kong Profits Tax paid		**(3,536)**	(1,468)
NET CASH USED IN OPERATING ACTIVITIES		**(78,438)**	(79,282)

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Decrease in time deposits		–	80,000
Decrease in pledged bank deposits		**4,956**	19,923
Dividend received from an associate		–	682
Purchases of property, plant and equipment		**(10,902)**	(52,545)
Purchase of intangible assets		**(6,730)**	(121,894)
Net cash outflow on deemed disposal of a subsidiary	48	–	(10)
Proceeds from disposal of partial interests in a subsidiary	44	**53,643**	–
Investments in associates		**(69,980)**	–
Proceeds from disposal of available-for-sale investments (net of transaction cost paid)		**102,192**	57,969
Interest received		**1,073**	1,953
Proceeds from disposal of investment property		**3,835**	–
Purchase of club debentures		**(180)**	–
Net cash inflow on disposal of subsidiaries	47(c)	**894**	–
Proceeds from disposal of a jointly controlled entity (net of transaction costs)	49	**83,281**	–
Purchase of unlisted available-for-sale investments		**(876)**	(1,285)
Proceeds from disposal of property, plant and equipment		**978**	363
Acquisition of additional interest in a subsidiary		**(1,079)**	(14,701)
Increase in deposit paid for acquisition of digital TV system equipment		**(248,142)**	(105,903)
NET CASH USED IN INVESTING ACTIVITIES		**(87,037)**	(135,448)
FINANCING ACTIVITIES			
Repayment to a related company		**(20,038)**	–
Repayment of bank loans		**(275,734)**	(158,984)
Repayment of obligations under finance leases		**(17,808)**	(12,404)
Payment on repurchase of shares		–	(29,669)
Share issue expenses		–	(104)
Proceeds from issue of shares		**92,000**	–
New bank loans raised		**533,258**	107,350
Loan from a related company		–	20,038
Decrease in trust receipt loans		**(17,780)**	(26,882)
Exercise of share options		**696**	30,426
Proceeds from issue of convertible loan notes		**116,250**	385,000
Expense on issue of convertible loan notes		–	(90)
Capital contribution from a minority shareholder		**6,559**	–
NET CASH FROM FINANCING ACTIVITIES		**417,403**	314,681
NET INCREASE IN CASH AND CASH EQUIVALENTS		**251,928**	99,951
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**155,979**	55,190
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**568**	838
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**408,475**	155,979

1. GENERAL

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

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

In June 2008, the Company changed its functional currency from Hong Kong dollars ("HK$") to Renminbi ("RMB") as the Group had substantially reduced its activity in traditional business with manufacturing factories located in the PRC for Hong Kong market and customers, and photomask business in Hong Kong, but increased its activity in digital television ("DTV") technical solutions and equipment business in the PRC and as a consequence mainly holds its investment in subsidiaries whose operations are primarily in the PRC.

As a result of the change in functional currency, the Company translated all items into RMB using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items were treated as their historical cost.

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

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

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to paragraph 69 of HKAS 1, paragraph 5B of HKFRS 5 and paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group and the financial position of the Company for the current or prior accounting periods.

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements of the Group and the financial statement of the Company.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 8) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group and the Company have not provided comparative information for the expand disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group and the Company expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group and the Company changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods, nor affected the reported results and financial position of the Group and the Company for the current accounting periods as there were no borrowing costs relating to qualifying asset for which the commencement date for capitalisation is on or after 1 January 2009.

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

New and revised HKFRSs affecting the reported results and/or financial position (Continued)

In addition, the Group and the Company have adopted the following amendments in advance of their effective dates:

Amendments to HKAS 1 Presentation of Financial Statements

As part of Improvements to HKFRSs issued in 2009 early adopted by the Group and the Company, HKAS 1 "Presentation of Financial Statements" has been amended regarding the classification of liability as current or non-current. The amendment requires the entity to classify a liability as current when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. However, terms of liability that could result in its settlement by the issue of the Group's equity instruments at the option of the counterparty do not affect its classification. The early adoption of the amendment has had no material impact on the Group and the Company's result for the reported periods.

As at 31 December 2009 and 31 December 2008, convertible loan notes with carrying amount of approximately HK$395,025,000 and HK$319,656,000, and their related derivatives with carrying amount of HK$72,829,000 as at 31 December 2009 have been presented as non-current liabilities based on the earliest date that the Group and the Company are required to transfer cash or other assets.

Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

As part of Improvement to HKFRSs issued in 2009, the amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operations. Disclosure requirements in other HKFRSs do not generally apply to such disposal groups.

The Group and the Company have not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for the amendments to paragraph 69 of HKAS 1 and paragraph 5B of HKFRS 5[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]

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

New and revised HKFRSs affecting the reported results and/or financial position *(Continued)*

HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 July 2010.

6 Effective for annual periods beginning on or after 1 January 2011.

7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in Group's ownership interest in a subsidiary.

The application of HK(IFRIC) – *Int 17 Distributions of Non-cash Assets to Owners* which is effective for period beginning on or after 1 July 2009 affects the measurement of the Group's liability when a group entity distributes non-cash assets as a dividend to its owners. HK(IFRIC) – Int 17 will be applied on a prospective basis.

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

New and revised HKFRSs affecting the reported results and/or financial position *(Continued)*

HKFRS 9 *Financial Instruments introduces* new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group and the Company's financial assets.

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements of the Group and the financial position of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Acquisition of additional interest in a subsidiary

For acquisition of additional interest in a subsidiary, the excess of the purchase consideration over the carrying values of the underlying assets and liabilities attributable to the additional interest in that subsidiary is recognised as goodwill.

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Investments in subsidiaries

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

Investments in associates

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses.

An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The Group entity shall discontinue the use of equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with HKAS 39 from that date, provided the associate does not become a subsidiary or joint venture as defined in HKAS 31.

The carrying amount of the investment at the date that it ceases to be an associate shall be regarded as its cost on initial measurement as a financial asset in accordance with HKAS 39 (see accounting policy on available-for-sale financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Distribution in specie

The amount recognised as distribution in respect of a distribution in specie is measured at the carrying value of interest in an associate distributed at the date of the distribution.

Joint ventures

Jointly controlled operations

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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Rental income is recognised on a straight line basis over the relevant lease terms.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

DTV business

Revenue generated from DTV business comprise the followings:

Sales of DTV equipment

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

Provision of services

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

Installation contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Installation contracts *(Continued)*

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

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

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

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of lease terms of land or 2%
Machinery, moulds and tools	4% – 20%
Equipment, furniture and fixtures	15% – 20%
Motor vehicles	25% to $33^1/_3$%
Leasehold improvements	Over the shorter of lease terms or 4%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to the profit or loss on a straight line basis over the lease terms. Prepaid lease payments which are to be charged to the profit or loss in the next twelve months or less from the end of the reporting period are classified as current assets.

Intangible assets

Research and development expenditure

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives begins when the asset is available for use and is provided on a straight-line basis over the terms of contract.

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

Club debenture

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

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

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the entity. The entity applied the translation procedures applicable to the new functional currency prospectively. At the date of the change, the entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value except for certain available-for-sale investment, which is measured at the carrying amount at the time the Group ceased to have significant influence over an associate. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities are fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised directly in profit or loss.

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent held for trading investments.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method *(Continued)*

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method *(Continued)*

Available-for-sale financial assets (Continued)

Impairment of financial assets *(Continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 30 to 360 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible loan notes contain liability and equity components

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

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

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method *(Continued)*

Convertible loan notes contain liability and equity components (Continued)

Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

Convertible loan notes contain liability component and derivative components

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

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

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

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables, amounts due to subsidiaries, amount due to an associate, loan from a related company and bank borrowings subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method *(Continued)*

Embedded derivatives

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision

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

Share-based payment transactions

Equity settled share-based payment transactions

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

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

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed immediately to profit or loss with a corresponding increase in equity (share option reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity settled share-based payment transactions *(Continued)*

Share options granted to consultants

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

Impairment losses on subsidiaries, associates, jointly controlled entities, tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its subsidiaries, associates, jointly controlled entities, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings costs *(Continued)*

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2008, a deferred tax asset of HK$11,223,000 and HK$4,313,000 (2009: HK$4,429,000) in relation to unused tax losses and other deductible temporary differences has been recognised in the consolidated statement of financial position (note 46). No deferred tax asset has been recognised in respect of the unused tax losses of HK$407,120,000 (2008: HK$863,013,000). The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more or less than expected, a recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

Estimated impairment of trade and bills receivables

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

As at 31 December 2009, the carrying amount of trade and bills receivables are HK$291,120,000 (net of allowance for doubtful debts of HK$53,573,000) (31 December 2008: carrying amount of HK$368,980,000, net of allowance for doubtful debts of HK$67,312,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes loan from a related company, bank borrowings, convertible loan notes and obligations under finance leases disclosed in notes 38, 39, 40 and 41, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
THE GROUP		
Financial assets		
Fair value through profit or loss		
Held for trading investments	**4,826**	14,219
Loans and receivables (including cash and cash equivalents)	**1,195,442**	594,446
Available-for-sale financial assets	**16,849**	132,195
Financial liabilities		
Embedded derivative components of convertible loan notes	**72,829**	–
Amortised cost	**1,213,101**	874,632
Obligation under finance leases	**–**	17,808
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,190,059**	1,444,278
Financial liabilities		
Embedded derivative components of convertible loan notes	**72,829**	–
Amortised cost	**425,919**	781,565

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

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

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Euro	**–**	–	**–**	1,218
Japanese Yen	**–**	–	**–**	1,029
RMB	**11,364**	77,343	**4,992**	53,309
US$	**329,322**	31,183	**125,817**	31,255
HK$	**50,570**	2,630	**347,879**	510,788
THE COMPANY				
US$	**706**	188	**124,604**	12,164
HK$	**1,189,352**	1,444,090	**374,145**	769,402

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% (2008: 10%) increase and decrease in RMB against the relevant currencies. 5% (2008: 10%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. For sensitivity analysis purpose, the sensitivity rate is decreased to 5% in 2009 after considering the financial market condition. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2008: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2008: decrease in post-tax loss) for the year where RMB strengthen 5% (2008: 10%) against the relevant currencies. For a 5% (2008: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit (2008: post-tax loss) for the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

	RMB		Euro		Japanese Yen		US$		HK$	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
THE GROUP										
Increase (decrease) in post-tax profit (2008: decrease in post-tax loss) (i)	**266**	2,403	**-**	102	**-**	86	**(8,496)**	6	**12,413**	42,431
THE COMPANY										
Decrease (increase) in post-tax loss (ii)	**-**	-	**-**	-	**-**	-	**5,173**	999	**(34,035)**	(56,336)

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

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

In management's opinion, the sensitivity above for the years ended 31 December 2009 and 2008 is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

US$ denominated deferred consideration (included in other receivables) arose from disposal of Remarkable Mask Technology Company Limited ("Remarkable") in the second quarter of the financial year ended 31 December 2009, which results in an increase in US$ denominated asset at year end.

Also, US$ denominated convertible loan notes were issued in the second quarter of the financial year ended 31 December 2009, which results in an increase in US$ denominated liabilities at year end.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

As at 31 December 2009, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and fixed-rate convertible loan notes whereas the Company is exposed to fair value interest rate risk in relation to fixed-rate convertible loan notes.

As at 31 December 2008, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, fixed-rate convertible loan notes, loan from a related company and obligation under finance lease whereas the Company is exposed to fair value interest rate risk in relation to fixed-rate convertible loan notes and a loan from a related company.

The Group and the Company are also exposed to cash flow interest rate risk due to the fluctuation of market interest rate on certain variable-rate pledged bank deposits as disclosed in note 35, certain variable-rate bank balances as disclosed in note 36 and certain variable-rate bank borrowings as disclosed in note 39, which carry interest at Hong Kong Interbank Offer Rate for the year ended 31 December 2008 and the People's Bank of China Renminbi Lending Rate for the year ended 31 December 2009.

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

Accordingly, the sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2008: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

If interest rates on variable-rate bank borrowings had been 50 basis points (2008: 100 basis points) higher/lower and all other variables were held constant.

Sensitivity analysis

THE GROUP

The Group's post-tax profit for the year ended 31 December 2009 would decrease/increase by approximately HK$1,670,000 (2008: post-tax loss for the year would increase/decrease by approximately HK$2,063,000).

THE COMPANY

The Company's post-tax loss for the year would increase/decrease by approximately HK$19,000 (2008: post-tax loss for the year would increase/decrease of approximately HK$1,530,000).

The Company's sensitivity to interest rates has reduced in 2009 mainly due to the decrease in variable-rate borrowings.

(iii) Other price risk

(a) Price risk on equity securities

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities. The Group's equity price risk in available-for-sale investments and held for trading investments are mainly concentrated on equity instruments issued by entities operating in natural resources industry sector and manufacturing industry sector issued by entities listed on the Stock Exchange of Hong Kong Limited, the Stock Exchange of Shanghai and Shenzhen Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risks and closely monitoring the share price movements of those securities relating to investments.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk (Continued)

(a) Price risk on equity securities (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks on listed equity investments at the end of the reporting period. Sensitivity analysis has not been presented for unlisted equity investments which are measured at cost less impairment as their fair values cannot be measured reliably. A sensitivity rate of 10% (2008: 10%) is applied in the analysis.

If the equity prices of the equity instruments had been 10% (2008: 10%) higher/lower:

- Post-tax profit for the year ended 31 December 2009 would increase/decrease by HK$482,000 (2008: post-tax loss decrease/increase by HK$1,422,000) as a result of the changes in fair value of held for trading investments; and

- The investment revaluation reserve would increase/decrease by HK$11,622,000 for the year ended 31 December 2008 as a result of the changes in fair value of available-for-sale investments. There is no financial impact for the year ended 31 December 2009 as all the listed available-for-sale investments were disposed of in 2009.

The Group's sensitivity to price risk on available-for-sale investments and held for trading investments decreased in 2009 as a significant amount of available-for-sale investments and held for trading investments were disposed of in 2009.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk (Continued)

(b) Price risk on embedded derivatives components of the Convertible Bond (defined under note 40(b))

For the year ended 31 December 2009, the Group and the Company are required to estimate the fair value of the derivative component of the Convertible Bond, including conversion option, early redemption option and compulsory conversion option, with changes in fair value to be recognised in the profit or loss as long as the Convertible Bond is outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

Sensitivity analysis

If the share price of the Company had been 10% higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax profit for the year would decrease by approximately HK$2,800,000/increase by approximately HK$4,086,000 and the Company's post-tax loss would increase by approximately HK$2,800,000/decrease by approximately HK$4,086,000, as a result of changes in fair value of the derivative component of the Convertible Bond.

If the volatility of share price of the Company had been 10% higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax profit for the year would decrease by approximately HK$1,634,000/increase by approximately HK$2,943,000 and the Company's post-tax loss would increase by approximately HK$1,634,000/decrease by approximately HK$2,943,000, as a result of changes in fair value of the derivative component of the Convertible Bond.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2009 and 2008, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge obligations by the counterparties and financial guarantees provided by the Group and the Company arises from:

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

- the amount of contingent liabilities in related to the financial guarantee issued by the Group and the Company as disclosed in note 53.

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

The Group's credit risk is also attributable to the deferred cash consideration due from independent third parties as disclosed in notes 13 and 30(b). The management will monitor closely the repayment schedule of the deferred cash consideration to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has a concentration of credit risk arising from the deferred cash consideration due from a single counterparty as disclosed in note 13.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

In addition, the Group has concentration of credit risk in relation to the trade and bill receivables as approximately 11% (2008: 50%) of the total trade and bill receivables as at 31 December 2009 was due from the Group's largest customer of the DTV technical solutions and equipment business. The Group will monitor the level of exposures to ensure that follow up actions and/or corrective are taken promptly to lower the risk exposure or to recover the overdue balances. Other than the above, the Group has no other significant concentration of credit risks, with exposure spread over a large number of counterparties on trade and bill receivables.

The Company has no concentration of credit risk, with exposure spread over a large number of counterparties for the years ended 31 December 2009 and 31 December 2008.

The directors consider that the credit risk exposure arising from financial guarantee granted by the Group and the Company is not material because the lenders as disclosed in note 53 have strong financial positions and the risk of default payment is low.

Liquidity risk

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

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the earliest date on which the Group and the Company can be required to pay. The undiscounted cash flows include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cash flows are estimated by using interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1 – 2 years	2-5 years	5 + years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009								
Trade and bills payables	–	243,194	–	–	–	–	243,194	243,194
Other payables	–	47,572	–	–	–	–	47,572	47,572
Amount due to an associate	–	643	–	–	–	–	643	643
Bank borrowings								
– fixed rate	4.80	25,564	103,158	–	–	–	128,722	126,560
– variable rate (note 3)	6.50	7,562	22,048	99,314	265,936	102,115	496,975	400,107
Convertible loan notes (note 1)								
– Loan notes denominated in HK$	11.64	–	11,550	388,386	–	–	399,936	346,055
– Loan notes denominated in US$	33.60	–	–	–	169,145	–	169,145	121,799
Financial guarantee contracts (note 2)	–	–	46,330	–	–	–	46,330	–
		324,535	183,086	487,700	435,081	102,115	1,532,517	1,285,930

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1 – 2 years	2-5 years	5 + years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008								
Trade and bills payables	–	180,006	19,228	–	–	–	199,234	199,234
Other payables	–	48,486	–	–	–	–	48,486	48,486
Loan from a related company	5.00	20,252	–	–	–	–	20,252	20,038
Bank borrowings								
– fixed rate	7.76	10,791	32,373	–	–	–	43,164	40,115
– variable rate (note 3)	7.46	65,900	197,700	1,017	976	–	265,593	247,103
Obligations under finance leases	5.61	1,866	5,599	6,978	5,815	–	20,258	17,808
Convertible loan notes (note 1)	11.64	–	11,550	11,550	388,386	–	411,486	319,656
Financial guarantee contracts (note 2)	–	–	112,250	–	–	–	112,250	–
		327,301	378,700	19,545	395,177	–	1,120,723	892,440

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

THE COMPANY

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1 – 2 years	2-5 years	5 + years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009								
Amounts due to subsidiaries	–	26,287	–	–	–	–	26,287	26,287
Bank borrowings – variable rate (note 3)								
– Trust receipt loan	5.00	871	1,974	–	–	–	2,845	2,805
– Bank borrowing	2.50	231	692	922	–	–	1,845	1,802
Convertible loan notes (note 1)								
– Loan notes denominated in HK$	11.64	–	11,550	388,386	–	–	399,936	346,055
– Loan notes denominated in US$	33.60	–	–	–	169,145	–	169,145	121,799
Financial guarantee contracts (note 2)	–	–	–	74,580	223,740	153,680	452,000	–
		27,389	14,216	463,888	392,885	153,680	1,052,058	498,748

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1 – 2 years	2-5 years	5 + years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008								
Other payables	–	11,746	–	–	–	–	11,746	11,746
Amounts due to subsidiaries	–	246,867	–	–	–	–	246,867	246,867
Loan from a related company	5.00	21,040	–	–	–	–	21,040	20,038
Bank borrowings								
– variable rate (note 3)	4.75	47,518	142,692	1,017	976	–	192,203	183,258
Convertible loan notes (note 1)	11.64	–	11,550	11,550	388,386	–	411,486	319,656
Financial guarantee contracts (note 2)	–	–	63,555	8,551	7,746	–	79,852	–
		327,171	217,797	21,118	397,108	–	963,194	781,565

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

Notes:

1. The undiscounted cash flows of convertible loan notes represent the redemption amount at maturity date translated at the prevailing exchange rate at the end of reporting period on the assumption that there would be no conversion or no early redemption. The carrying amount of convertible loan notes denominated in HK$ represents the liability components carried at amortised cost with an effective interest rate of 11.64% whereas the carrying amount of convertible bond denominated in US$ represents the liability components carried at amortised cost with an effective interest rate of 33.6% and the fair value of the derivatives embedded in the convertible loan notes (details are set out in note 40).

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

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

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

6c. Fair value

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

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

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow; and

- the fair value of derivative instruments is determined using Binomial model based on assumptions set out in note 40.

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

Except for the liability component of convertible loan notes (2008: obligations under finance lease and liability component of convertible loan notes), the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the Company's and the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- 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).

	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP				
Financial assets at FVTPL				
Held for trading investments	4,826	–	–	4,826
THE GROUP AND THE COMPANY				
Financial liabilities at FVTPL				
Embedded derivative components of convertible loan notes	–	–	72,829	72,829

There were no transfers between Level 1 and 2 for the Group and the Company in 2009.

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

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

	Derivative component of convertible loan notes HK$'000
THE GROUP AND THE COMPANY	
At 1 January 2009	–
Issue of convertible loan notes	75,191
Gain arising on changes of fair value	(2,362)
Carrying amount at 31 December 2009	72,829

7. REVENUE

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

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Sales of goods	**55,008**	256,451
Revenue from DTV business		
–Sales of DTV equipments	**13,362**	309,441
–Provision of DTV technical services	**85,331**	70,400
Revenue from intelligent business	**284,811**	266,706
Rendering of services	**–**	970
Property rental income	**3,159**	1,572
	441,671	905,540

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss, segment assets and segment liabilities.

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by an executive director of the Group, the chief operating decision maker, for the purposes of resource allocation and assessment of performance.

Inter-segment revenue are eliminated on consolidation.

The Group's operating segments under HKFRS 8 are therefore as follows:

DTV technical solutions and equipment business – Manufacture and sales of DTV equipments and provision of DTV technical services.

Traditional business – Manufacture and distribution of telephone accessories, power cords and adaptors.

Printed circuit boards – Manufacture and distribution of printed circuit boards.

High precision metal components – Manufacture and distribution of high precision metal components.

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

Others – Provision of management services and leasing of investment properties.

Photomask business – Manufacture of photomasks.

8. SEGMENT INFORMATION *(Continued)*

In prior years, the Group was involved in the photomask operation. That operation was discontinued with effect from 11 June 2009. Segment information is disclosed in note 13.

Information regarding the above segments relating to continuing operations is reported below.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2009

Continuing operations

	Digital technical solutions and equipment business HK$'000	Traditional business # HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
SEGMENT REVENUE								
External sales	100,475	29,185	1,035	25,916	284,811	249	–	441,671
Inter-segment sales	2,350	662	–	–	–	960	(3,972)	–
Total	102,825	29,847	1,035	25,916	284,811	1,209	(3,972)	441,671
Segment profit (loss)	58,583	(54,957)	(80)	2,440	16,105	(37,940)	–	(15,849)
Unallocated income								11,596
Unallocated expense								(470)
Increase in fair value of held for trading investments								16,192
Gain on disposal of available-for-sale investments								34,295
Gain on disposal of subsidiaries								660
Loss on disposal of partial interests in a subsidiary								(15,907)
Gain on disposal of a jointly controlled entity								10,470
Gain on fair value change of the derivative components of convertible loan notes								2,362
Share of loss of associates								(2,189)
Share of loss of jointly controlled entities								(3,727)
Finance costs								(67,502)
Loss before tax (continuing operations)								(30,069)

\# Principal activities of traditional business are manufacture and distribution of telephone accessories, power cords and adaptors.

8. SEGMENT INFORMATION *(Continued)*

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

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2008

Continuing operations

	Digital technical solutions and equipment business HK$'000	Traditional business # HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
SEGMENT REVENUE								
External sales	379,922	209,769	860	46,962	266,706	1,321	–	905,540
Inter-segment sales	–	–	–	–	–	441	(441)	–
Total	379,922	209,769	860	46,962	266,706	1,762	(441)	905,540
Segment profit (loss)	171,354	(34,322)	(2,196)	1,507	24,176	(51,637)	–	108,882
Unallocated income								7,847
Gain on deemed disposal of a subsidiary								1,308
Gain on disposal of available-for-sale investments								15,051
Decrease in fair value of held for trading investments								(20,432)
Share of profit of associates								7,100
Share of loss of jointly controlled entities								(27,325)
Finance costs								(43,995)
Profit before tax (continuing operations)								48,436

Inter-segment sales are charged at prevailing market price.

8. SEGMENT INFORMATION *(Continued)*

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of certain income and expense (including income from provision of utility services, net foreign exchange gain, impairment loss recognised on investment in a jointly controlled entity), increase (decrease) in fair value of held for trading investments, gains or losses on disposal of entire/partial interest in subsidiaries/jointly controlled entities/available-for-sale investments, gain on fair value change of the derivative components of convertible loan notes, share of result of associates/jointly controlled entities, finance costs and income tax credit (expense). This is the measure reported to the chief operating decision maker, the executive director of the Group, for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

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

Segment assets

	31.12.2009 HK$'000	31.12.2008 HK$'000
Continuing operations		
Digital technical solutions and equipment business	**871,329**	553,938
Traditional business	**52,116**	155,907
Printed circuit boards	**10,266**	13,947
High precision metal components	**15,214**	19,343
Intelligent information business	**784,947**	649,089
Others	**27,200**	34,288
Assets relating to discontinued operation		
Photomask business (note 13)	**–**	116,558
Total segment assets	**1,761,072**	1,543,070
Unallocated assets		
Investments in associates	**86,788**	6,122
Investments in jointly controlled entities	**–**	151,742
Bank balances and cash	**408,475**	150,287
Available-for-sale investments	**16,849**	132,195
Pledged bank deposits	**13,123**	18,075
Held for trading investments	**4,826**	14,219
Deferred tax asset	**4,429**	4,313
Deferred consideration	**388,917**	–
Other unallocated assets	**2,420**	647
Consolidated assets	**2,686,899**	2,020,670

8. SEGMENT INFORMATION *(Continued)*

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

Segment liabilities

	31.12.2009 **HK$'000**	31.12.2008 HK$'000
Continuing operations		
Digital technical solutions and equipment business	**84,173**	72,500
Traditional business	**13,211**	41,366
Printed circuit boards	**3,476**	13,882
High precision metal components	**6,492**	9,997
Intelligent information business	**261,595**	163,513
Others	**41,772**	24,765
Liabilities relating to discontinued operation		
Photomask business (note 13)	**–**	38,494
Total segment liabilities	**410,719**	364,517
Unallocated liabilities		
Bank borrowings	**526,667**	287,218
Convertible loan notes	**467,854**	319,656
Tax liabilities	**11,496**	5,930
Deferred tax liabilities	**6,782**	13,413
Other unallocated liabilities	**–**	450
Consolidated liabilities	**1,423,518**	991,184

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

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

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

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

2009

Continuing operations

	Digital technical solutions and equipment business HK$'000	Traditional business # HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Capital expenditure (note)	25,894	312	53,200	22	8,184	106	87,718
Depreciation of property, plant and equipment	1,777	3,205	2,069	1,273	1,601	2,438	12,363
Amortisation of intangible assets	6,106	–	–	–	296	–	6,402
Loss (gain) on disposal of property, plant and equipment	61	–	–	(22)	2,551	515	3,105
(Reversal of) impairment loss in respect of trade receivables	(919)	(260)	–	913	–	–	(266)
Increase in fair value of investment properties	–	–	–	–	–	1,385	1,385
Release of prepaid lease payment	–	96	–	–	–	276	372
Share-based payment expenses	–	–	–	–	–	5,597	5,597
Written off of inventories	–	21,593	–	–	–	–	21,593
Impairment loss in respect of amounts due from customers for contract work	–	–	–	–	7,514	–	7,514

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

2008

Continuing operations

	Digital technical solutions and equipment business HK$'000	Traditional business # HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Intelligent information business HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Capital expenditure (note)	181,174	890	–	102	1,806	482	184,454
Depreciation of property, plant and equipment	611	7,898	2,500	1,660	1,865	2,410	16,944
Amortisation of intangible assets	5,080	–	–	–	296	–	5,376
Impairment losses in respect of property, plant and equipment	–	4,245	–	–	–	–	4,245
Loss (gain) on disposal of property, plant and equipment	–	2	–	–	347	(187)	162
Impairment loss in respect of trade receivables	–	9,749	–	800	2,716	–	13,265
Allowances for inventories	–	16	–	–	–	–	16
Decrease in fair value of investment properties	–	–	–	–	–	635	635
Release of prepaid lease payment	–	95	–	–	–	298	393
Share-based payment expenses	–	–	–	–	–	30,295	30,295
Written off of inventories	–	12,444	–	–	–	–	12,444
Impairment loss in respect of amounts due from customers for contract work	–	–	–	–	6,589	–	6,589

Note: Capital expenditure include additions to property, plant and equipment, intangible assets and investments in associates.

8. SEGMENT INFORMATION *(Continued)*

(d) Revenue from major products and services

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

(e) Geographical information

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

The following table provides an analysis of the Group's sales by geographical market irrespective of the origin of goods/services.

The Group's revenue from continuing operations from the external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	Year ended	Year ended		
	31.12.2009	31.12.2008	**31.12.2009**	31.12.2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC (country of domicile)	**387,353**	713,660	**836,273**	582,581
Hong Kong	**43,228**	135,999	**58,701**	184,135
Europe	**2,983**	19,410	**–**	–
Others (including Canada and United States of America)	**8,107**	36,471	**–**	–
	441,671	905,540	**894,974**	766,716

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

8. SEGMENT INFORMATION *(Continued)*

(f) Information about a major customer

Revenue from a customer of the corresponding years contributing over 10% of the total sales of the Group for the year ended 31 December 2008 is as follows:

	HK$'000
Revenue from a customer attributable to digital technical solutions and equipment business	309,441

That customer did not contribute over 10% of the total sales of the Group for the year ended 31 December 2009.

9. OTHER INCOME, GAINS AND LOSSES

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest on bank deposits	**1,073**	1,947
Proceeds from sale of scrap	**103**	1,195
Recovery from insurance claim (note)	**16,694**	10,800
Income from provision of utility services	**3,209**	2,285
Net foreign exchange gain	**4,649**	–
Reversal (recognition) of impairment loss in respect of trade receivables	**266**	(13,265)
Impairment loss in respect of amounts due from customers for contract work	**(7,514)**	(6,589)
Impairment loss in respect of property, plant and equipment	**–**	(4,245)
Impairment loss in respect of investment in an associate	**(2,542)**	–
Impairment loss in respect of investment in a jointly controlled entity	**(470)**	–
Loss on disposal of property, plant and equipment	**(3,105)**	(162)
Net foreign exchange losses	**–**	(321)
Research and development costs	**(1,794)**	(4,907)
Litigation claim settlement (note 56)	**(9,305)**	–
Others	**3,739**	3,161
	5,003	(10,101)

9. OTHER INCOME, GAINS AND LOSSES *(Continued)*

Note: Amounts represented recovery from insurance claim arising from a flooding happened in the Group's factory in Dongguan, the PRC which caused significant damage to inventories of the Group in 2008. The amounts were confirmed by and received from the insurance company in 2009 and 2008 respectively.

10. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**21,364**	18,640
Convertible loan notes (note 40)	**45,892**	24,623
Finance leases	**37**	43
Loan from a related company	**209**	689
	67,502	43,995

11. INCOME TAX (CREDIT) EXPENSE

	2009 HK$'000	2008 HK$'000
Continuing operations		
Current tax:		
Hong Kong	**165**	2,411
Other regions in the PRC	**3,488**	1,303
	3,653	3,714
Under (overprovision) in prior years:		
Hong Kong	**1,304**	(1,114)
Other regions in the PRC	**(1,549)**	–
	(245)	(1,114)
Deferred tax (note 46)		
Current year	**(6,621)**	(1,897)
Attributable to a change in tax rate	**–**	258
	(6,621)	(1,639)
	(3,213)	961

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

(a) Pursuant to the relevant laws and regulations in the PRC, a principal subsidiary of the Company is exempted from PRC income tax for two years starting from its first profit-making year in 2008, followed by a 50% reduction in the applicable tax rate for the next three years. The tax holidays and concessions will expire in 2012.

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

(b) A major operating subsidiary in the PRC was qualified as High and New Technology Enterprises since 2008 and is entitled to a preferential income tax rate of 15% for 3 consecutive years from 2008 onwards.

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

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

	2009 **HK$'000**	2008 HK$'000
(Loss) profit before tax (from continuing operations)	**(30,069)**	48,436
Tax at the domestic income tax rate of 25%	**(7,517)**	12,109
Tax effect of expenses not deductible for tax purposes	**12,907**	18,120
Tax effect of income not taxable for tax purposes	**(21,044)**	(9,581)
Tax effect of share of results of associates	**547**	(1,775)
Tax effect of share of results of jointly controlled entities	**932**	6,831
Utilisation of tax losses not recognised in previous years	**(4,301)**	(2,699)
Tax effect of tax losses not recognised	**33,892**	15,371
Effect of different tax rates of subsidiaries operating in Hong Kong	**3,943**	8,438
Overprovision in prior years	**(245)**	(1,114)
Income tax on concessionary rate	**(994)**	(1,705)
Effect of tax exemptions granted to PRC subsidiaries	**(21,333)**	(39,846)
Decrease in opening deferred tax resulting from a decrease in applicable tax rate	**–**	258
Others	**–**	(3,446)
Tax (credit) expense for the year (relating to continuing operations)	**(3,213)**	961

12. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2009 HK$'000	2008 HK$'000
(Loss) profit for the year from continuing operations has been arrived at after charging:		
Continuing operations		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	**49,242**	49,587
– Share-based payments	**5,597**	30,295
– Retirement benefit scheme contributions	**3,104**	3,481
Total staff costs	**57,943**	83,363
Depreciation of property, plant and equipment	**12,363**	16,944
Amortisation of intangible assets (included in cost of sales)	**6,402**	5,376
Total depreciation and amortisation	**18,765**	22,320
Auditor's remuneration	**2,444**	2,971
Cost of inventories recognised as expenses (including allowances for inventory in 2009: nil, 2008: HK$742,000 and written off of inventories in 2009: HK$21,593,000, 2008: HK$12,444,000)	**111,539**	422,957
Contract costs recognised as expenses	**214,880**	214,557
Release of prepaid lease payments	**372**	393
Share of tax of associates (included in share of results of associates)	**–**	1,335

13. DISCONTINUED OPERATION

On 27 April 2009, a subsidiary of the Company entered into a sale agreement to dispose of its entire interest in Remarkable, a wholly owned subsidiary of the Group, which carried out all of the Group's manufacture and sale of photomask products business, to an independent third party at US$42,000,000. The disposal was completed on 11 June 2009 ("Completion Date"), on which date control of Remarkable was passed to purchaser. Due to the disposal of photomask operation during the year ended 31 December 2009, the comparative figures have been re-presented to classify the photomask operation as a discontinued operation for the year ended 31 December 2008.

The profit (loss) for the period/year from the discontinued operation is analysed as follows:

	1.1.2009 to 11.6.2009 HK$'000	1.1.2008 to 31.12.2008 HK$'000
Loss of photomask operation for the period/year	**(37,096)**	(73,086)
Gain on disposal of photomask operation	**206,904**	–
	169,808	(73,086)

13. DISCONTINUED OPERATION *(Continued)*

The results of the photomask operation for the period from 1 January 2009 to 11 June 2009, which have been included in the profit or loss, were as follows:

	1.1.2009 to 11.6.2009 HK$'000	1.1.2008 to 31.12.2008 HK$'000
Revenue	**8,687**	37,987
Cost of sales	**(41,785)**	(100,374)
Gross loss	**(33,098)**	(62,387)
Other income and losses	**–**	(358)
Selling and distribution costs	**(1,070)**	(4,217)
Administrative expenses	**(1,192)**	(3,245)
Finance costs	**(1,736)**	(2,879)
Loss for the period/year	**(37,096)**	(73,086)

Loss for the period/year from discontinued operation included the following:

	1.1.2009 to 11.6.2009 HK$'000	1.1.2008 to 31.12.2008 HK$'000
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**4,334**	14,607
– Retirement benefit scheme contributions	**121**	369
Total staff costs	**4,455**	14,976
Depreciation on property, plant and equipment (included in cost of sales)	**24,961**	51,249
Auditor's remuneration	**45**	220
Cost of inventories recognised as expenses	**16,824**	49,125
Allowance of inventories	**–**	726
Impairment loss in respect of trade receivables	**–**	439

13. DISCONTINUED OPERATION *(Continued)*

Cash flows for the period/year from discontinued operations:

	1.1.2009 to 11.6.2009 HK'000	1.1.2008 to 31.12.2008 HK'000
Net cash outflows from operating activities	**(7,000)**	(10,600)
Net cash outflows from investing activities	**–**	(2,500)
Net cash inflows from investing activities	**4,400**	17,400
Net cash (outflows) inflows	**(2,600)**	4,300

Segment revenues and results

The followings are an analysis of segment revenues and results from photomask business:

	1.1.2009 to 11.6.2009 HK$'000	1.1.2008 to 31.12.2008 HK$'000
Revenue		
External sales	**8,687**	37,987
Segment loss	**(37,096)**	(73,086)

13. DISCONTINUED OPERATION *(Continued)*

Segment assets and liabilities

The following is an analysis of segment assets and liabilities of photomask business as at 31 December 2008:

	HK$'000
Segment assets	116,558
Segment liabilities	(38,494)

Other segment information

The followings are the amounts included in the measure of segment profit or loss or segment assets of photomask business:

	1.1.2009 to 11.6.2009 HK$'000	1.1.2008 to 31.12.2008 HK$'000
Capital expenditure (note)	**–**	2,507
Allowance for inventories	**–**	726
Impairment loss in respect of trade receivables	**–**	439
Depreciation on property, plant and equipment	**24,961**	51,249

Note: Capital expenditure represented additions to property, plant and equipment.

13. DISCONTINUED OPERATION *(Continued)*

Geographical information

The operation of photomask business was located in Hong Kong.

The segment revenue from external customers for the period from 1 January 2009 to 11 June 2009 and year ended 31 December 2008 and information about its non-current assets by geographical location of the assets as at 31 December 2008 are detailed below:

	Revenue from external customers		Non-current assets
	1.1.2009 to 11.6.2009	1.1.2008 to 31.12.2008	31.12.2008
	HK$'000	HK$'000	HK$'000
The PRC	**2,267**	4,264	–
Hong Kong	**1,981**	8,157	98,604
Others	**4,439**	25,566	–
	8,687	37,987	98,604

13. DISCONTINUED OPERATION *(Continued)*

Geographical information *(Continued)*

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

	11 June 2009
	HK$'000
Net assets disposed of:	
Property, plant and equipment	73,644
Inventories	5,370
Trade receivables	3,950
Other receivables	191
Bank balances and cash	3,159
Trade payables	(6,585)
Other payables and accruals	(16,977)
	62,752
Gain on disposal	206,904
Total consideration	269,656
Satisfied by:	
Deferred cash consideration (note 1)	319,914
Provision (note 2)	(50,000)
Transaction costs incurred for the disposal	(258)
	269,656
Net cash outflow arising on disposal:	
Bank balances and cash on disposal	(3,159)
Transaction costs incurred for the disposal	(258)
	(3,417)

13. DISCONTINUED OPERATION *(Continued)*

Geographical information *(Continued)*

Notes:

(1) Pursuant to the sale and purchase agreement, the consideration will be payable by the purchaser in cash in six instalments in accordance with the following schedule:

- 25% of the consideration, equivalent to US$10,500,000, will be payable by the purchaser on the 45th day after the execution of the sale agreement;
- 10% of the consideration, equivalent to US$4,200,000, will be payable by the purchaser on or before 30 September 2009;
- 20% of the consideration, equivalent to US$8,400,000, will be payable by the purchaser on or before 31 March 2010;
- 10% of the consideration, equivalent to US$4,200,000, will be payable by the purchaser on or before 30 June 2010;
- 25% of the consideration, equivalent to US$10,500,000, will be payable by the purchaser on or before 30 September 2010; and
- the balance of 10% of the consideration, equivalent to US$4,200,000, will be payable by the purchaser on or before 31 March 2011.

The fair value of consideration amounted to approximately HK$319,914,000, determined using a discount rate of 4% by reference to the prevailing market borrowing rate. The deferred cash consideration is measured at amortised cost using the effective interest method and included in other receivables, analysed as follows:

	US$'000	HK$'000
Current asset (note 30(b))	37,240	288,616
Non-current asset	4,038	31,298
	41,278	319,914

At the end of the reporting period, US$14,700,000 (equivalent to approximately HK$ 113,925,000), which represented the first two instalments receivables from the purchaser are past due 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. Full amount has been subsequently settled by the purchaser on 12 February 2010. The repayment schedule of the third instalment receivable of US$8,400,000 (equivalent to approximately HK$65,100,000) is re-scheduled and preliminary agreed between the Group and the purchaser to be extended for four months. Management will monitor closely the repayment and make adequate provision if consider necessary.

13. DISCONTINUED OPERATION *(Continued)*

Geographical information *(Continued)*

Notes: (Continued)

(2) Pursuant to the sale and purchase agreement on disposal of Remarkable, the Group is obliged to maintain the property, plant and equipment in good conditions until March 2011. In order to meet this present obligation, management considered that the Group will incur expenditure (primarily staff costs and repair and maintenance expenses) for maintaining the disposed property, plant and equipment in good conditions. Provision of HK$50,000,000 represented management's best estimate of the expenditure required to settle the obligation. From Completion Date till 31 December 2009, the Group incurred staff costs and repair and maintenance expenses of approximately HK$3,037,000 and HK$6,801,000 respectively, resulting in the balance of provision of approximately HK$40,162,000 at 31 December 2009.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 11 (2008: 11) directors are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (note 1)	Share-based payments HK$'000 (note 2)	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2009						
Cao Zhong	–	2,400	1,200	–	120	3,720
Chau Chit	–	2,400	1,200	2,612	120	6,332
Mung Kin Keung (note 3)	875	–	800	2,985	–	4,660
Chen Jang Fung	150	–	–	–	–	150
Leung Kai Cheung	240	–	–	–	–	240
Leung Shun Sang, Tony	190	–	–	–	–	190
James Alan Chiddix (note 3)	131	–	–	–	–	131
Chan Wah Tip, Michael	200	–	–	–	–	200
Kan Lai Kuen, Alice	240	–	–	–	–	240
Wong Kun Kim	240	–	–	–	–	240
Lee Fook Sun	150	–	–	–	–	150
	2,416	4,800	3,200	5,597	240	16,253

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

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (note 1)	Share-based payments HK$'000 (note 2)	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2008						
Cao Zhong	–	2,345	782	3,592	117	6,836
Chau Chit	–	2,345	782	1,910	117	5,154
Chen Jianyong (note 4)	684	–	–	955	8	1,647
Tzu San Te (note 5)	–	1,210	95	955	12	2,272
Chen Jang Fung	147	–	–	344	–	491
Leung Kai Cheung	234	–	–	344	–	578
Leung Shun Sang, Tony	186	–	–	2,866	–	3,052
Chan Wah Tip, Michael	195	–	–	344	–	539
Kan Lai Kuen, Alice	234	–	–	344	–	578
Wong Kun Kim	234	–	–	344	–	578
Lee Fook Sun	147	–	–	344	–	491
	2,061	5,900	1,659	12,342	254	22,216

Notes:

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

2. Share-based payments represent fair value of share options fully vested at grant date and expensed immediately to the profit or loss during the year. The share options were issued under the Company's share option scheme as detailed in note 43.

3. The directors were appointed on 16 February 2009.

4. The director was resigned on 1 August 2008.

5. The director was resigned on 17 April 2009.

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

(b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group, three (2008: five) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2008: nil) highest individuals are as follows:

	2009
	HK$'000
Salaries and other benefits	**1,690**
Contributions to retirement benefits schemes	**24**
	1,714

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

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

15. DIVIDEND

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

16. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2009 HK$'000	2008 HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the year attributable to owners of the Company)	**141,197**	(30,745)

	2009 '000	2008 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**2,054,365**	1,919,378

For the year ended 31 December 2009, the calculation of diluted earnings per share has not assumed (i) the conversion of the Company's outstanding convertible loan notes as this would result in an increase in earnings per share for that year and (ii) the dilutive effect arising from the Company's share options as it is insignificant.

For the year ended 31 December 2008, the calculation of diluted loss per share has not assumed (i) the conversion of the Company's outstanding convertible loan notes which would result in a decrease in the loss per share and (ii) the share options granted by the Company, as the exercise price of these share options is higher than the average market price of the Company's share.

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

From continuing operations

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

	2009	2008
	HK$'000	HK$'000
Earnings figures are calculated as follows:		
Profit (loss) for the year attributable to the owners of the Company	**141,197**	(30,745)
Less: profit (loss) for the period/year from discontinued operation	**169,808**	(73,086)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share from continuing operations	**(28,611)**	42,341

For the year ended 31 December 2009, the calculation of diluted loss per share from continuing operations has not assumed (i) the conversion of the Company's outstanding convertible loan notes and (ii) the exercise of the Company's share options as these would result in a decrease in loss per share.

For the year ended 31 December 2008, the calculation of diluted earnings per share from continuing operations has not assumed (i) the conversion of the Company's outstanding convertible loan notes which would result in an increase in the earnings per share and (ii) the share options granted by the Company, as the exercise price of these share options is higher than the average market price of the Company's share.

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

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

From discontinued operation

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

	2009 HK$'000	2008 HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share (Profit (loss) for the year attributable to owners of the Company	**169,808**	(73,086)
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**45,892**	
Gain on fair value change of the derivative components of convertible loan notes	**(2,362)**	
Deferred tax on convertible loan notes	**(6,376)**	
Earnings for the purpose of diluted earnings per share	**206,962**	

	2009 '000	2008 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,054,365**	1,919,378
Effect of dilutive potential ordinary shares:		
– share options	**1,932**	
– convertible loan notes	**460,942**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,517,239**	

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

From discontinued operation (Continued)

Basic earnings per share from discontinued operation is HK8.27 cents per share (2008: basic loss per share from discontinued operation is HK3.81 cents per share) and diluted earnings per share from the discontinued operation is HK8.22 cents per share (2008: diluted loss per share from discontinued operation is HK3.81 cents per share).

For the year ended 31 December 2008, the calculation of diluted loss per share has not assumed (i) the conversion of the Company's outstanding convertible loan notes as this could result in a decrease in the loss per share and (ii) the share options granted by the Company, as the exercise price of these share options is higher than the average market price of the Company's share.

17. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2008	11,092
Transferred from property, plant and equipment (note 18)	51
Decrease in fair value recognised in profit or loss	(635)
At 31 December 2008 and 1 January 2009	10,508
Transferred from property, plant and equipment (note 18)	32,862
Disposal	(3,835)
Increase in fair value recognised in profit or loss	1,385
Exchange realignment	(20)
At 31 December 2009	40,900

17. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties at 31 December 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Messrs. AA Property Services Limited and 廣東京華資產評估房地產土地估價有限公司, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

All of the Group's investment properties located in Hong Kong have been pledged to secure the banking facilities granted to the Group.

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
The carrying value of investment properties shown above comprises:		
Land in Hong Kong:		
Long lease	**2,000**	4,940
Medium-term lease	**2,300**	1,900
Land in the PRC:		
Long lease	**3,758**	3,668
Medium-term lease	**32,842**	–
	40,900	10,508

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2008	75,324	1,963	743,076	109,798	14,759	63,245	1,008,165
Additions	34,080	2,149	2,309	5,232	2,027	6,748	52,545
Transferred to investment properties	(133)	–	–	–	–	–	(133)
Write-off/disposals	–	–	(26,742)	(3,477)	(2,579)	–	(32,798)
Deemed disposal of a subsidiary (note 48)	–	–	–	(860)	(658)	–	(1,518)
Exchange realignment	193	–	–	468	631	196	1,488
At 31 December 2008 and 1 January 2009	109,464	4,112	718,643	111,161	14,180	70,189	1,027,749
Additions	1,606	5,809	221	717	2,549	–	10,902
Transferred to investment properties	(26,814)	–	–	–	–	–	(26,814)
Write-off/disposals	–	–	(15,981)	(864)	(3,022)	(3,826)	(23,693)
Disposal of subsidiaries (notes 13&47)	(2,515)	–	(512,870)	(9,795)	(572)	(17,905)	(543,657)
Transfer/reclassification	2,149	(2,302)	–	(3,759)	3,912	–	–
Exchange realignment	20	(11)	5	–	–	2	16
At 31 December 2009	83,910	7,608	190,018	97,460	17,047	48,460	444,503

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

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT							
At 1 January 2008	33,012	–	591,860	92,906	8,460	35,237	761,475
Provided for the year	3,474	–	54,485	5,130	1,840	3,264	68,193
Eliminated on transfer to investment properties	(82)	–	–	–	–	–	(82)
Eliminated on write-off/ disposals	–	–	(26,740)	(3,130)	(2,403)	–	(32,273)
Impairment loss recognised in profit or loss	–	–	4,245	–	–	–	4,245
Eliminated on deemed disposal of a subsidiary (note 48)	–	–	–	(486)	(375)	–	(861)
Exchange realignment	41	–	–	322	296	69	728
At 31 December 2008 and 1 January 2009	36,445	–	623,850	94,742	7,818	38,570	801,425
Provided for the year	1,621	–	26,182	4,836	1,946	2,739	37,324
Reclassification	–	–	–	(412)	412	–	–
Eliminated on write-off/ disposals	–	–	(15,981)	(756)	(1,601)	(1,272)	(19,610)
Eliminated on disposal of subsidiaries (notes 13&47)	(733)	–	(450,777)	(7,973)	(521)	(6,562)	(466,566)
Exchange realignment	(1)	–	1	2	1	(4)	(1)
At 31 December 2009	37,332	–	183,275	90,439	8,055	33,471	352,572
CARRYING VALUES							
At 31 December 2009	46,578	7,608	6,743	7,021	8,992	14,989	91,931
At 31 December 2008	73,019	4,112	94,793	16,419	6,362	31,619	226,324

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

Leasehold land and buildings with carrying value of HK$26,814,000 (2008: HK$51,000) were transferred to investment properties as they were rented out to an independent third party to earn rental income during the year. The fair value of these leasehold land and buildings at the date of transfer is HK$32,862,000 (2008: HK$51,000), resulting in recognition of surplus on revaluation of HK$6,048,000 (2008: nil) in other comprehensive income and accumulated in property revaluation reserve.

Included in the Group's leasehold land and buildings is a lease payment of approximately HK$2,441,000 (2008: HK$2,337,000) that cannot be allocated reliably between the land portion and building portion.

At 31 December 2008, the carrying value of the Group's machinery, moulds and tools, included an amount of approximately HK$23,098,000 in respect of machinery held under finance leases. No machinery was held under finance leases in 2009.

During the year, the management conducted a review of the Group's manufacturing assets used in one of the Group's plant for traditional business segment and determined that no impairment loss has been recognised in respect of the machinery, moulds and tools (2008: impairment loss of approximately HK$4,245,000).

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

	Leasehold land and buildings HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
THE COMPANY						
COST						
At 1 January 2008, 31 December 2008 and 1 January 2009	23,380	43,700	19,405	29	19,118	105,632
Disposal	–	–	–	–	(790)	(790)
At 31 December 2009	23,380	43,700	19,405	29	18,328	104,842
DEPRECIATION						
At 1 January 2008	16,572	43,700	18,634	29	14,465	93,400
Provided for the year	935	–	321	–	555	1,811
At 31 December 2008 and 1 January 2009	17,507	43,700	18,955	29	15,020	95,211
Provided for the year	935	–	298	–	555	1,788
Disposal	–	–	–	–	(270)	(270)
At 31 December 2009	18,442	43,700	19,253	29	15,305	96,729
CARRYING VALUES						
At 31 December 2009	4,938	–	152	–	3,023	8,113
At 31 December 2008	5,873	–	450	–	4,098	10,421

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
The carrying value of leasehold land and buildings shown above comprises:				
Land in Hong Kong:				
Long leases	**1,760**	1,852	**–**	–
Medium-term leases	**–**	1,484	**–**	–
Land in the PRC:				
Long leases	**356**	404	**–**	–
Medium-term leases	**44,462**	69,279	**4,938**	5,873
	46,578	73,019	**4,938**	5,873

19. PREPAID LEASE PAYMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
The prepaid lease payments comprise:		
Leasehold in Hong Kong:		
Long lease	**5,214**	5,489
Medium-term lease	**–**	989
	5,214	6,478
Leasehold in the PRC:		
Long lease	**189**	212
Medium-term lease	**2,431**	2,696
	2,620	2,908
	7,834	9,386
Analysed for reporting purposes as:		
Current asset	**360**	393
Non-current asset	**7,474**	8,993
	7,834	9,386

20. GOODWILL AND IMPAIRMENT TESTING

	2009 HK$'000
COST AND CARRYING AMOUNT	
At 1 January 2008	222,842
Arising from acquisition of additional interest in a subsidiary	12,522
At 31 December 2008 and 1 January 2009	235,364
Arising from acquisition of additional interest in a subsidiary	106
Eliminated on disposal of partial interests in a subsidiary (note 44)	(42,360)
At 31 December 2009	193,110

For the purposes of impairment testing, goodwill set out above has been allocated to two individual cash generating units (CGUs), attributable to intelligent information operating segment and one subsidiary in digital television technical solutions and equipment operating segment. The carrying amounts of goodwill as at 31 December 2009 and 2008 allocated to them are as follows:

	2009 HK$'000	2008 HK$'000
Intelligent information operating segment – Sino Stride Technology Holdings Limited ("SST") (note a)	180,588	222,842
DTV technical solutions and equipment operating segment –廣州市易家通互動信息發展有限公司 (“易家通”) (note b)	12,522	12,522
	193,110	235,364

20. GOODWILL AND IMPAIRMENT TESTING *(Continued)*

Notes:

(a) During the year ended 31 December 2009, the additional goodwill arising from acquisition of additional interests in SST of 0.03% is calculated as the excess of the purchase consideration over the carrying values of the underlying assets and liabilities attributable to the additional interests in SST. Management has appointed an independent valuer to perform a business valuation on SST at the end of both reporting periods. Management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the CGU to which the goodwill has been allocated) based on the valuation report is in excess of the aggregate carrying amounts of SST. The recoverable amount of SST has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the management of the Group covering a 5-year period, and a discount rate of 14.42% (2008: 14.10%). Cash flows beyond the 5-year period are extrapolated using a 3% (2008: 3%) steady growth rate. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the industry. The cash flow projections are prepared based on the expected gross margins determined based on past performance of SST and management's expectations for the market development.

(b) The goodwill arising from acquisition of additional interests in 易家通 is calculated as the excess of the purchase consideration over the carrying values of the underlying assets and liabilities attributable to the additional interests in 易家通. Management of the Group has determined that there is no impairment on the goodwill arising from the acquisition of 易家通 as the recoverable amount of 易家通 (being the CGU to which the goodwill has been allocated) as calculated in the management's cash flow projections is in excess of the aggregate carrying amounts of 易家通. The recoverable amount of CGU of 易家通 has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by the management of the Group covering a 5-year period, and a discount rate of 12% (2008: 12%). Cash flows beyond the 5-year period are extrapolated using a 3% (2008: 3%) steady growth rate. Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance of 易家通 and management's expectations for the market development.

21. INTANGIBLE ASSETS

	Development costs for energy saving systems HK$'000	Development costs for intelligent information systems HK$'000	Project contracts HK$'000	Contract acquisition costs HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2008	–	4,344	1,473	–	5,817
Additions	–	–	–	121,894	121,894
Exchange realignment	–	288	–	–	288
At 31 December 2008 and 1 January 2009	–	4,632	1,473	121,894	127,999
Additions	1,130	5,600	–	–	6,730
Exchange realignment	(1)	(4)	–	146	141
At 31 December 2009	1,129	10,228	1,473	122,040	134,870
AMORTISATION AND IMPAIRMENT					
At 1 January 2008	–	2,226	516	–	2,742
Charge for the year	–	–	296	5,080	5,376
Exchange realignment	–	147	–	–	147
At 31 December 2008 and 1 January 2009	–	2,373	812	5,080	8,265
Charge for the year	–	–	296	6,106	6,402
Exchange realignment	–	–	(1)	3	2
At 31 December 2009	–	2,373	1,107	11,189	14,669
CARRYING VALUES					
At 31 December 2009	1,129	7,855	366	110,851	120,201
At 31 December 2008	–	2,259	661	116,814	119,734

21. INTANGIBLE ASSETS *(Continued)*

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

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

Development costs for energy saving systems represent software design and development fee incurred in respect of a system "中程全天候智能分佈式冷卻系統" for the intelligent information business. The amortisation of development cost will commence when systems are available for use.

Development costs for intelligent information systems represent costs incurred for the design and development of intelligent information systems. The amortisation of development costs will commence when the systems are available for use. During the years ended 31 December 2009 and 2008, the directors consider that no impairment loss on development costs is required.

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

Contract acquisition costs represent the payments to DTV operator in Guangdong Province in connection with the jointly controlled operations as mentioned in note 26 during 2008 and are amortised over the terms of the contract of 20 years.

22. DEPOSITS PAID

The amount represents deposit paid to DTV operator in Guangdong Province for acquisition of the digital TV equipment and other operating assets (collectively "digital TV system equipment"). Details are disclosed in the note 57.

23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**26,748**	26,748
Deemed capital contributions	**48,211**	40,542
Less: impairment loss recognised	**(980)**	(977)
	73,979	66,313
Advances to subsidiaries	**410,876**	164,793

Deemed capital contributions represent fair value adjustment on non-current interest-free advances to subsidiaries at initial recognition.

The advances to subsidiaries are unsecured, non-interest bearing and denominated in HK$. In the opinion of the Directors, the Company will not demand for repayment within one year from the end of reporting period and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the effective interest method at the rate of 2.5% (2008: 4%) per annum.

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

Details of the Company's principal subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2009	2008	
				%	%	
Aberdeen Industrial Company Limited	Samoa	The PRC	1 ordinary share of US$1	**100***	100*	Manufacture of telephone accessories, power cords and adaptors
Aberdeen Investments Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100***	100*	Property investment
Chongqing Sinostride Technology Co., Ltd. @	The PRC	The PRC	Registered capital RMB 200,000,000	**99.6***	99.3*	Provision of DTV technical solutions and equipment
Dongguan Santai Electrical Appliances Co., Ltd ^	The PRC	The PRC	Registered capital HK$ 64,000,000	**100***	100*	Manufacture and sale of electronic products
Ever Create Profits Limited	B.V.I.	Hong Kong	1 ordinary share of US$1	**100***	100*	Property investment
Hitech Electro-Optical Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100***	100*	Property investment
Hop Cheong Holdings Limited	Cook Islands	Hong Kong	3,500 ordinary shares of US$1 each	**100**	100	Investment holding
Hop Cheong Technology Limited	Hong Kong	The PRC	1,000,000 ordinary shares of HK$1 each	**100***	100*	Provision of management services

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

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2009 %	2008 %	Principal activities
Hop Cheong Technology (International) Limited	Hong Kong	The PRC	2 ordinary shares of HK$1 each	**100***	100*	Marketing of high precision metal parts
Made Connection Limited	Samoa	Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Printronics Electronics Limited	Hong Kong	Hong Kong	5 ordinary shares of HK$1 each	**60***	60*	Investment holding
Printronics Group Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$10 each	**100**	100	Investment holding
Santai Corporate Services Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Provision of management services
Santai Manufacturing Limited	Hong Kong	The PRC	10,000 ordinary shares of HK$1 each	**100**	100	Investment holding
SCS Investment Company Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100***	100*	Investment holding
SCT Electronics Limited	Hong Kong	The PRC	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Sino Stride Technology (Holdings) Limited	B.V.I.	Hong Kong	1,078,959,000 ordinary shares of HK$0.01 each	**100***	99.7*	Investment holding

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

Name of subsidiary	Place/ country of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2009 %	2008 %	Principal activities
Sino Stride Technology Co., Ltd @	The PRC	The PRC	Registered capital RMB 83,000,000	**78.5***	97.2*	System value-added service solution and development
South China Digital TV Holdings Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
廣州市易家通互動信息發展有限公司#	The PRC	The PRC	Registered capital RMB 15,050,000	**100***	100*	Investment holding
深圳市泰格信息科技開發有限公司#	The PRC	The PRC	Registered capital RMB 20,000,000	**100***	100*	Investment holding and sale of DTV equipment

* Indirectly held through subsidiaries

@ Registered under the laws of the PRC as a Sino-foreign co-operative joint venture

^ Registered under the laws of the PRC as a wholly-foreign owned enterprise

Registered under the laws of the PRC in the form of domestic incorporated entity

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

None of the subsidiaries had issued any debt securities for the years ended 31 December 2009 and 2008.

24. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Unlisted investments in associates, at cost	**75,570**	5,590
Share of post-acquisition profits and other comprehensive income, net of dividends received	**13,760**	532
	89,330	6,122
Less: Impairment loss recognised	**(2,542)**	–
	86,788	6,122

During the year ended 31 December 2009, the Group impaired fully the investment cost in Shenzhen Fasten Sino Stride Technology Limited of HK$2,542,000 as the estimated future cash flows expected to be received from the investment is expected to be minimal upon its liquidation in 2010.

At 31 December 2009 and 2008, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2009	2008	Principal activities
Concord Optic – Electronic Technology Co Ltd 浙江協和光電科技有限公司 (Formerly known as Hangzhou Sino Stride Megain Optic-Electronic Technology Company Limited ("HSC"))	Corporate	The PRC	**48.5%**	47.15% (note 1)	System design, and sales of system hardware and light emitted diode products
Shenzhen Fasten Sino Stride Technology Limited 深圳市法爾勝中程科技有限公司	Corporate	The PRC	**31.4%**	38.88%	Sale of hardware and equipment related to system integration and system design

24. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2009	2008	Principal activities
Shanghai Tai Hung Investment Management Co. Ltd 上海泰泓投資有限公司("STHIML")	Corporate	The PRC	**30%** (note 2)	–	Investment holding
Wuxi Remarkable Mask Limited 無錫中微掩模電子有限公司("WRML")	Corporate	The PRC	**19%** (note 3)	–	Inactive
Success East Investment Limited ("SEIL")	Corporate	Hong Kong	**19%** (note 4)	–	Investment holding

Notes:

(1) On 27 June 2008, the Group's interest in HSC, a partially owned subsidiary of the Group, was diluted from 94.29% to 47.15% as a result of the capital injection of RMB5,000,000 (approximately HK$5,650,000) by a third party, details are disclosed in note 48. As the Group is still able to exercise significant influence over HSC, HSC is accounted for as an associate of the Group upon completion of capital injection.

(2) On 22 October 2009, the Group has injected share capital in a newly established entity, STHIML, which resulted in 30% equity interest in STHIML.

(3) On 22 May 2009, the Group has injected share capital in a newly established entity, WRML, which resulted in 19% equity interest in WRML. The Group is able to exercise significant influence over WRML because it has the power to join the board of directors of WRML and exercise its voting rights under the clause stated in the deed of trust of WRML. Hence, WRML is accounted for as an associate of the Group.

(4) On 10 August 2009, the Group has injected share capital in a newly established entity, SEIL, which resulted in 19% equity interest in SEIL. The Group is able to exercise significant influence over SEIL because it has the power to appoint one out of the four directors of SEIL under the provisions stated in the Articles of Association of SEIL. Hence, SEIL is accounted as an associate of the Group.

24. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	2009	2008
	HK$'000	HK$'000
Total assets	**497,630**	15,425
Total liabilities	**(81,032)**	(1,328)
Net assets	**416,598**	14,097
Group's share of net assets of associates	**89,330**	6,122
Revenue	**4,174**	268,952
(Loss) profit for the year	**(5,313)**	34,884
Other comprehensive income	**70,896**	51,911
Group's share of total comprehensive income of associates for the year	**13,228**	18,118

25. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2009 and 2008, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2009	2008	Issued and fully paid share capital/ registered capital	Principal activities
Hoperise Industrial Limited	Incorporated	Hong Kong	**Nil** (note 1)	50%	HK$20,010,000	Copper wire drawing
Sky Light Communication (Shenzhen) Limited 深圳天際信和科技有限公司	Sino-foreign equity joint venture	The PRC	**75%** (note 2)	75% (note 2)	RMB20,000,000	Development and integration of the space information technical and multimedia software
Sky Land Navigator Technology (Shenzhen) Limited ("SLNTL") 深圳天地導航科技有限公司	Sino-foreign equity joint venture	The PRC	**75%** (note 2)	75% (note 2)	RMB20,000,000	Development and integration for software and hardware for the intelligent traffic

Note 1: On 19 June 2009, the Group entered into a share transfer agreement with Mr. Wang Kun Tien (the "purchaser"), an independent third party who owned the other 50% interest in Hoperise, pursuant to which the Group agreed to sell the shares, representing 50% of the issued share capital of Hoperise, at a consideration of HK$151,115,000. The disposal was completed on 31 July 2009 and a gain on disposal of HK$10,470,000 was recognised in the profit or loss for the year ended 31 December 2009 as disclosed in note 49.

Note 2: According to the joint venture agreements, the Group is in a position to exercise joint control over these entities through participation in their respective boards of directors. The board of directors of the entities comprises 6 directors of which 3 were appointed by the Group. Two-third of the board of directors are required to pass major board resolutions. Accordingly, these entities have been accounted for as jointly controlled entities.

25. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Unlisted investments in jointly controlled entities, at cost	**28,303**	42,928
Share of post-acquisition (loss) profits and other comprehensive income, net of dividends received	**(27,833)**	108,814
	470	151,742
Less: Impairment loss recognised	**(470)**	–
	–	151,742

During the year ended 31 December 2009, the Group impaired fully its carrying amounts in SLNTL of HK$470,000 as it became inactive in 2009. Accordingly, the estimated future cash flows expected to be received from the investment is expected to be minimal.

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted using the equity method is set out below:

	2009	2008
	HK$'000	HK$'000
Current assets	**470**	179,187
Non-current assets	**–**	44,069
Current liabilities	**–**	(71,495)
Non-current liabilities	**–**	(19)
Income recognised in profit or loss	**121,849***	517,406
Expenses recognised in profit or loss	**125,576***	544,731
Other comprehensive income	**–**	3,375

* Represent the income/expense of Hoperise from 1 January 2009 until the date of disposal on 31 July 2009.

26. JOINTLY CONTROLLED OPERATIONS

In addition to the jointly controlled entities listed above, the Group has entered into a cooperation agreement with a joint venturer to develop jointly controlled operations to operate a platform in Guangdong Province for the provision of multi-media information services based on cabled digital television network.

Pursuant to the cooperation agreement, the Group is responsible for the provision of technical services, including technical solutions and equipment and is entitled to share 80% of the service income as predetermined in the cooperation agreement.

At 31 December 2009 and 2008, the aggregate amount of assets, liabilities, revenue and profit recognised in the Group's consolidated financial statements are as follows:

	2009	2008
	HK$'000	HK$'000
Assets	**110,851**	116,813
Liabilities	**–**	–
Revenue	**85,331**	70,400
Profit for the year	**67,526**	49,867

As at 31 December 2009 and 2008, the Group has paid a deposit to DTV operator in Guangdong Province for acquisition of digital TV system equipment. Details are disclosed in notes 22 and 57.

27. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2009	2008
	HK$'000	HK$'000
Listed investments:		
– Equity securities listed in the PRC	**–**	116,221
Unlisted equity investments (note 4)	**16,849**	15,974
Total	**16,849**	132,195
Analysed for reporting purposes as:		
Current assets	**–**	116,221
Non-current assets	**16,849**	15,974
	16,849	132,195

Details of movement of listed investments are as follows:

	HK$'000
Transfer from investments in associates as at 30 September 2008 (note 1)	100,245
Fair value changes recognised in other comprehensive income	73,945
Disposal on 18 December 2008 (note 2)	(57,969)
As at 31 December 2008	116,221
Fair value changes recognised in other comprehensive income	8,838
Disposal (note 3)	(125,059)
As at 31 December 2009	–

27. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes:

(1) As at 1 January 2008, the Group has an effective interest of approximately of 12.6% in Tianjin Printronics Circuit Corporation, ("TPC") through its 60% owned subsidiary, Printronics Electronics Limited ("PEL"). As PEL is a subsidiary of the Group and it is able to exercise significant influence over TPC because of its 21.01% equity interest in TPC, TPC was regarded as an associate of the Group.

On 30 September 2008, the Group has received a special interim dividend of HK$167,075,000 from PEL by way of a distribution in specie of TPC shares held by PEL.

Total dividend of HK$100,245,000, representing an aggregate of 30,989,778 shares of TPC were distributed to Printronics Group Limited, which beneficially owns 60% equity interest in PEL and dividend of HK$66,830,000, representing an aggregate of 20,659,852 shares of TPC were distributed to a minority shareholder, which holds 40% equity interest in PEL. The distribution in specie is recognised at the carrying amount of interest in TPC at the date of distribution.

Upon the completion of the distribution in specie of shares of TPC, the Group is unable to exercise significant influence over TPC and in the anticipation of executive committee as 31 December 2008, the investment in TPC would be disposed of in 2009. Accordingly, the investment in TPC, with a carrying value of HK$100,245,000 was reclassified to available-for-sale investments and included in current assets.

(2) On 18 December 2008, the Group disposed of 10,000,000 shares of TPC at a consideration HK$57,969,000. The gain on disposal of HK$15,051,000, being the reclassification of investment revaluation reserve of HK$25,621,000 and net off with transaction costs of HK$10,570,000 directly attributable to the disposal of shares is recognised in the profit or loss for the year ended 31 December 2008.

(3) During the year ended 31 December 2009, the Group disposed of all the listed available-for-sale investments at a consideration of HK$125,059,000. The gain on disposal of HK$34,295,000, being the reclassification of investment revaluation reserve of HK$57,162,000 and net off with the transaction costs of HK$22,867,000 directly attributable to the disposal of shares is recognised in the profit or loss during the year.

(4) The above unlisted investments represent various investments in unlisted equity securities issued by private entities incorporated in the PRC. Their main principal activities are provision of software development and television broadcasting services. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

28. CLUB DEBENTURES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost	**960**	960	**960**	780
Impairment loss recognised	**(260)**	(330)	**(260)**	(260)
	700	630	**700**	520

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

29. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Raw materials	**19,039**	35,836
Work in progress	**1,737**	6,203
Finished goods	**42,513**	108,514
	63,289	150,553

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

(a) Trade and bills receivables

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Trade and bills receivables	**344,693**	436,292
Less: allowance for doubtful debts	**(53,573)**	(67,312)
	291,120	368,980

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable in the range of 30 to 360 days of issuance, except for certain well established customers, where the terms are extended to over one year. 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:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**118,634**	286,245
91 – 180 days	**65,172**	59,587
181 – 365 days	**30,592**	16,988
1 – 2 years	**75,777**	3,758
Over 2 years	**945**	2,402
	291,120	368,980

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

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

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

Included in the Group's trade receivable are debtors with an aggregate carrying amount of approximately HK$122,164,000 (2008: HK$59,065,000) which are past due 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. Aggregate amount of approximately HK$178,323,000 (2008: HK$85,357,000) is subsequently settled by customers up to the date these consolidated financial statements were authorised for issuance.

Ageing of trade receivables which are past due but not impaired

	2009 HK$'000	2008 HK$'000
0 – 90 days	**557**	1,915
91 – 180 days	**44,269**	42,451
181 – 365 days	**616**	8,539
1 – 2 years	**75,777**	3,758
Over 2 years	**945**	2,402
Total	**122,164**	59,065

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**67,312**	56,260
Impairment losses recognised on receivables	**2,113**	13,704
Amounts written off as uncollectible	**(7,331)**	(2,652)
Disposal of subsidiaries	**(6,148)**	–
Impairment losses reversed	**(2,379)**	–
Exchange differences	**6**	–
Balance at end of the year	**53,573**	67,312

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

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

Movement in the allowance for doubtful debts *(Continued)*

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$53,573,000 (2008: HK$67,312,000), of which the Group has chased for settlements from customers but the amounts remained unsettled. In the opinion of directors, the amounts are considered uncollectible. The Group does not hold any collateral over these balances.

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

	2009	2008
	HK$'000	HK$'000
RMB	**9,429**	15,004
US$	**3,970**	20,706

(b) Prepayment, deposits and other receivables

At 31 December 2009, the amounts mainly represented deferred cash consideration of HK$290,104,000 (2008: nil) arising from disposal of subsidiaries (note 13 and 47(a)) and deferred cash consideration of HK$67,515,000 (2008: nil) arising from disposal of a jointly controlled entity (note 49). In the opinion of the Directors, the balances are expected to be realised in the next twelve months from the end of the reporting period. Aggregate amount of approximately HK$113,925,000 is subsequently settled by purchasers up to the date these consolidated financial statements were authorised for issuance. The remaining balance of HK$262,771,000 (2008: HK$120,237,000) mainly represented advances to suppliers in relation to intelligent information business as well as prepaid expenses.

31. HELD FOR TRADING INVESTMENTS

	2009 HK$'000	2008 HK$'000
THE GROUP		
Listed securities:		
– Equity securities listed in Hong Kong	**4,626**	14,219
– Equity securities listed in the PRC	**200**	–
	4,826	14,219

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

	2009 HK$'000	2008 HK$'000
THE GROUP		
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**1,442,334**	1,180,114
Less: progress billings	**(1,135,135)**	(1,016,140)
	307,199	163,974
Analysed for reporting purposes of:		
Amounts due from contract customers	**336,046**	188,518
Amounts due to contract customers	**(28,847)**	(24,544)
	307,199	163,974

At 31 December 2009, retentions held by customers for contract works of approximately HK$58,130,000 (2008: HK$53,350,000) were included in amounts due from customers for contract work. Advances received from customers before contract work is performed amounting to approximately HK$3,657,000 (2008: HK$5,303,000) were included in other payables, deposits received and accruals. In the opinion of the directors, the amounts are expected to be realised in the next twelve months from the end of the reporting period.

33. AMOUNT DUE FROM (TO) AN ASSOCIATE/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from an associate/amount due from a jointly controlled entity at 31 December 2008 was unsecured, non-interest bearing and fully settled in 2009.

The amount due to an associate at 31 December 2009 is unsecured, non-interest bearing and repayable on demand.

34. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

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

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

35. PLEDGED BANK DEPOSITS

THE GROUP

Deposits amounting to approximately HK$13,123,000 (2008: HK$18,075,000) have been pledged to banks to secure the banking facilities of the Group. The pledged bank deposits carry interest at market rates ranging from 1.98% to 2.25% (2008: 1.35% to 1.71%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings in 2010 (2008: 2009) and are therefore classified as current assets.

36. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances carry interest at prevailing bank saving deposits rates ranging from 0.01% to 1.71% (2008: 0.36% to 1.77%) per annum.

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

	2009	2008
	HK$'000	HK$'000
THE GROUP		
HK$	**49,890**	7,135
RMB	**1,084**	62,292
US$	**5,435**	10,476
THE COMPANY		
HK$	**41,778**	4,743
US$	**706**	188

37. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables at the end of reporting period, based on invoice date, is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**176,395**	87,906
91 – 180 days	**26,468**	92,100
181 – 365 days	**13,144**	9,343
1 – 2 years	**24,013**	5,199
Over 2 years	**3,174**	4,686
	243,194	199,234

37. TRADE AND BILLS PAYABLES *(Continued)*

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

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

	2009	2008
	HK$'000	HK$'000
Euro	**–**	1,218
RMB	**2,933**	7,270
US$	**1,213**	19,722
HK$	**–**	19,427
JPY	**–**	1,028

38. LOAN FROM A RELATED COMPANY

THE GROUP AND THE COMPANY

At 31 December 2008, the amount represented loan from Shougang (Hong Kong) Finance Company Limited, a subsidiary of Shougang Holding. The loan was unsecured, bearing interest at 5% per annum and fully repaid in March 2009.

39. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank loans	**1,802**	2,673	**1,802**	2,673
Unsecured bank loans	**522,060**	263,960	**–**	160,000
Secured trust receipt loans	**2,805**	20,585	**2,805**	20,585
	526,667	287,218	**4,607**	183,258
Carrying amounts repayable:				
Within one year	**130,256**	285,415	**3,696**	181,455
More than one year, but not exceeding two years	**75,491**	891	**911**	891
More than two years, but not exceeding five years	**223,740**	912	**–**	912
More than five years	**97,180**	–	**–**	–
	526,667	287,218	**4,607**	183,258
Less: Amounts due within one year shown under current liabilities	**(130,256)**	(285,415)	**(3,696)**	(181,455)
	396,411	1,803	**911**	1,803

THE GROUP

At 31 December 2009, bank borrowings include (i) fixed-rate borrowings of approximately HK$126,560,000 (2008: HK$40,115,000) (ii) variable-rate borrowings of approximately HK$4,607,000 (2008: HK$183,258,000) carry interest at Hong Kong Interbank Offer Rate plus 2% per annum (2008: Hong Kong Interbank Offer Rate plus 2% per annum) and (iii) variable-rate borrowings of approximately HK$395,500,000 (2008: HK$63,845,000) carry interest at five-year benchmark interest rate of The People's Bank of China (2008: one-year benchmark interest rate of The People's Bank of China with 10% markup).

39. BANK BORROWINGS *(Continued)*

THE GROUP *(Continued)*

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

	2009	2008
Fixed-rate borrowings	**4.05% to 4.87%**	6.08% to 8.22%
Variable-rate borrowings	**2.10% to 6.53%**	2.25% to 8.22%

THE COMPANY

All bank borrowings are variable-rate borrowings which carry interest at Hong Kong Interbank Offer Rate plus 2% per annum. The effective interest rate (which are also equal to contracted interest rates) ranged from 2.10% to 5.50% (2008: 2.25% to 7.25%) per annum.

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

	2009	2008
	HK$'000	HK$'000
THE GROUP AND THE COMPANY		
US$	**2,805**	12,164
HK$	**1,802**	171,095

In 2009, the Group obtained new loans of HK$533,258,000 (2008: HK$107,350,000). The loans bear interest at market rates and will be repayable in 2010 to 2017 (2008: 2009 to 2013). The new loans were borrowed by group companies and certain of them were under financial guarantee provided by the Company to the banks (note 53). At 31 December 2008, no financial guarantee was provided by the Company to the banks in respect of bank borrowings obtained by the group companies.

39. BANK BORROWINGS *(Continued)*

THE COMPANY *(Continued)*

The bank borrowings and banking facilities are secured by:

(i) certain of the investment properties of the Group with an aggregate carrying value of approximately HK$4,300,000 (2008: HK$6,840,000) at 31 December 2009;

(ii) certain of prepaid lease payments and buildings of the Group with an aggregate carrying value of approximately HK$989,000 and HK$1,484,000 respectively at 31 December 2008, which was fully released during the year ended 31 December 2009; and

(iii) pledge of certain of the Group's bank deposits amounting to approximately HK$13,123,000 (2008: HK$18,075,000) at 31 December 2009.

40. CONVERTIBLE LOAN NOTES

THE GROUP AND THE COMPANY

The Group issued convertible loan notes in 2008 and 2009. Movements for the years ended 31 December 2009 and 2008 are set out as follows:

	Liability component HK$'000	**Derivative components** HK$'000
At 1 January 2008	–	–
Issue of convertible loan notes	302,644	–
Interest charge	24,623	–
Interest paid	(8,165)	–
Exchange realignment	554	–
At 31 December 2008 and 1 January 2009	319,656	–
Issue of convertible loan notes	41,059	75,191
Interest charge	45,892	–
Interest paid	(11,550)	–
Exchange realignment	(32)	–
Gain arising on changes of fair value	–	(2,362)
Carrying amount at 31 December 2009	395,025	72,829

40. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Loan Notes Issued in 2008

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

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

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

The Convertible Notes contain two components, liability and equity components. The equity component is included in the convertible loan notes equity reserve. The effective interest rate of the liability component is 11.64% per annum. At 31 December 2009, the carrying amount of the liability component of the Convertible Notes is HK$346,055,000. No conversion was noted in 2009 and 2008.

40. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bond Issued in 2009

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

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

The major terms of Convertible Bond are as follows:

(i) *Conversion option:*

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

(ii) *Compulsory conversion option:*

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

40. CONVERTIBLE LOAN NOTES *(Continued)*

Convertible Bonds Issued in 2009

(b) *(Continued)*

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

The Convertible Bondholder shall be entitled by giving 10 business days prior written notice to the Company require the Company to redeem the whole amount, or any part, of the Convertible Bond on the date falling on the second anniversary from the Issue Date, which is on 5 June 2011. The amount payable on redemption in such case is the amount which is equal to the aggregate of (i) the principal amount of the Convertible Bond to be redeemed; and (ii) a premium equal to 8.5% per annum, compounded annually, accrued from the Issue Date up to (but excluding) the date of redemption for such Convertible Bond to be redeemed, calculated on the basis of 360 days a year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

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

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

The derivative component is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss for the year ended 31 December 2009.

40. CONVERTIBLE LOAN NOTES *(Continued)*

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

	5 June 2009	**31 December 2009**
Stock price	HK$0.60	HK$0.57
Exercise price	HK$0.60	HK$0.60
Volatility (note)	50%	55%
Dividend yield	0%	0%
Option life	5 years	4.43 years
Risk free rate	2.83%	2.4%

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

The fair value of the Convertible Bond with embedded derivatives were determined with reference to a valuation report carried out by an independent and recognised international business valuers, on Issue Date at approximately HK$116,250,000. At 31 December 2009, the liability component of the Convertible Bond is HK$48,970,000 and the fair value of the derivative component of the Convertible Bond is HK$72,829,000. No conversion was noted in 2009.

41. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its machineries under finance leases. The average lease term is three years. For the year ended 31 December 2008, the average effective borrowing rate ranged from 2.98% to 8.25% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. The obligations under finance leases were fully repaid during the year ended 31 December 2009.

	Minimum lease payments 2008 HK$'000	Present value of minimum lease payments 2008 HK$'000
THE GROUP		
Amounts payable under finance leases:		
Within one year	7,465	6,072
In more than one year but not more than two years	6,978	6,158
In more than two years but not more than three years	5,815	5,578
	20,258	17,808
Less: Future finance charges	(2,450)	
Present value of lease obligations	17,808	
Less: Amount due for settlement within one year shown under current liabilities		(6,072)
		11,736

42. SHARE CAPITAL

	2009 Number of shares	**2009** Amount HK$'000	2008 Number of shares	2008 Amount HK$'000
Ordinary shares of HK$0.25 each				
Authorised:				
At beginning and end of year	**4,000,000,000**	**1,000,000**	4,000,000,000	1,000,000
Issued and fully paid:				
At beginning of year	**1,910,427,179**	**477,607**	1,887,786,989	471,947
Issue of shares on subscription (note 1)	**230,000,000**	**57,500**	–	–
Exercise of share options	**1,714,000**	**428**	64,132,190	16,033
Repurchase of shares (note 2)	**–**	**–**	(41,492,000)	(10,373)
At end of year	**2,142,141,179**	**535,535**	1,910,427,179	477,607

Note 1: On 27 April 2009, the Company entered into a subscription agreement with the subscriber, an independent third party, pursuant to which the subscriber has agreed to subscribe for 230,000,000 new shares at the subscription price of HK$0.40 per share, raising proceeds of HK$92,000,000. Such proceeds would be used by the Company for developing its digital television business in the PRC and any related businesses.

Note 2: In 2008, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares at HK$0.25 each '000	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
August 2008	28,452	0.800	0.696	22,391
September 2008	11,948	0.610	0.435	6,792
October 2008	1,092	0.485	0.400	486

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the years ended 31 December 2009 and 2008.

43. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

The following tables disclose details and movements in share options under the 2002 Scheme during the years ended 31 December 2009 and 2008:

For the year ended 31 December 2009:

				Number of shares under options					
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2009	Granted during the year	Transferred to/from other category during the year	Exercised during the year	Lapsed during the year	At 31.12.2009
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	13,242,000	–	–	–	–	13,242,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	3,200,000	–	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	12,001,810	–	–	(1,714,000)	(3,008,000)[2]	7,279,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	59,600,000	–	–	–	(5,000,000)[2]	54,600,000
	16.12.2009	16.12.2009 – 15.12.2019	HK$0.596	–	18,750,000	–	–	–	18,750,000
				88,043,810	18,750,000	–	(1,714,000)	(8,008,000)	97,071,810
Employees of the Group	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	2,000	–	–	–	(2,000)[2]	–
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	4,000,000	–	–	–	–	4,000,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	5,292,000	–	(5,292,000)[1]	–	–	–
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	99,000,000	–	(5,000,000)[1]	–	(9,000,000)[2]	85,000,000
				108,294,000	–	(10,292,000)	–	(9,002,000)	89,000,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	32,104,000	–	–	–	–	32,104,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	11,982,000	–	–	–	–	11,982,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	–	–	5,292,000[1]	–	–	5,292,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	8,000,000	–	5,000,000[1]	–	(8,000,000)[2]	5,000,000
				66,155,000	–	10,292,000	–	(8,000,000)	68,447,000
				262,492,810	18,750,000	–	(1,714,000)	(25,010,000)	254,518,810
Exercisable at the end of the year				262,492,810					254,518,810
Weighted average exercise price per share				HK$0.728					HK$0.717

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

All share options are vested at the date of grant.

For the year ended 31 December 2008:

				Number of shares under options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2008	Granted during the year	Transferred to/from other category during the year	Exercised during the year	At 31.12.2008
Directors of the Company	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	13,242,000	–	–	–	13,242,000
	14.3.2003	14.3.2003 -13.3.2013	HK$0.495	3,200,000	–	–	–	3,200,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	64,900,000	–	(5,292,000)[3]	(47,606,190)	12,001,810
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	–	64,600,000	(5,000,000)[3]	–	59,600,000
				81,342,000	64,600,000	(10,292,000)	(47,606,190)	88,043,810
Employees of the Group	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	2,000	–	–	–	2,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	–	–	4,000,000[4]	–	4,000,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.406	500,000	–	5,292,000[3]	(500,000)	5,292,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	–	94,000,000	5,000,000[3]	–	99,000,000
				502,000	94,000,000	14,292,000	(500,000)	108,294,000
Other participants	15.11.2002	15.11.2002 – 14.11.2012	HK$0.580	40,130,000	–	–	(8,026,000)	32,104,000
	14.3.2003	14.3.2003 – 13.3.2013	HK$0.495	14,069,000	–	–	–	14,069,000
	18.3.2004	18.3.2004 – 17.3.2014	HK$1.200	15,982,000	–	(4,000,000)[4]	–	11,982,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.780	–	16,000,000	–	(8,000,000)	8,000,000
				70,181,000	16,000,000	(4,000,000)	(16,026,000)	66,155,000
				152,025,000	174,600,000	–	(64,132,190)	262,492,810
Exercisable at the end of the year				152,025,000				262,492,810
Weighted average exercise price per share				HK$0.561				HK$0.728

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

All share options are vested at the date of grant.

[1] These share options were held by a grantee who became consultants of the Group in 2009 and such share options were thus reclassified from the category of "Employees" to "Other participants" of the Group. The share options are still exercisable unless they are lapsed or cancelled.

[2] These share options were lapsed in 2009 upon resignation of certain directors and employees as well as upon cessation of services provided by other participants (i.e. consultants) to the Group.

[3] These share options were held by a grantee who ceased to be a director of the Company in 2008 but remained as an employee of the Group and such share options were thus reclassified from the category of "Directors of the Company" to "Employees of the Group" in 2008.

[4] These share options were held by a grantee who was originally a consultant but became an employee of the Group in 2008 and such share options were reclassified from the category of "Other participants" to "Employees of the Group" during the year.

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

In respect of share options exercised during the year ended 31 December 2009, the weighted average share price at the dates of exercise is HK$0.540 per share. (2008: HK$0.890 per share)

During the years ended 31 December 2009 and 2008, share options were granted to Directors on 16 December 2009 and 22 January 2008, respectively. The estimated fair value of the options determined at the date of grant using the Binomial model was HK$5,597,000 and HK$30,295,000, respectively. The Group recognised the total expense of HK$5,597,000 for the year ended 31 December 2009 (2008: HK$30,295,000) in respect of share options granted by the Company.

The closing price of the Company's shares immediately before 16 December 2009 (2008: before 22 January 2008), the date of grant of the 2002 Scheme options, was HK$0.57 per share (2008: HK$0.74).

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

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

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

	16 December 2009	22 January 2008
Grant date share price	HK$0.570	HK$0.640
Exercise price	HK$0.569	HK$0.780
Expected volatility	64.68%	64.90%
Dividend yield	0%	0%
Risk-free interest rate	2.41%	2.778%
Contract life	10 years	10 years
Sub-optimal factor:		
–Directors and other participants	2.28	2
–Employees	–	1.5

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

44. DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY

On 13 October 2009, Sino Stride (HK) Limited and Shenzhen Tiger Information Technology Development Co., Ltd, the Group's wholly owned subsidiaries, and Hangzhou Zheda Tongli Houqin Group Co Ltd, the Group's minority shareholder of Sino Stride Technology Co., Ltd. ("SSTCL"), entered into a joint venture contract with an independent third party, Carrier Asia Limited ("Carrier") pursuant to which the Group agreed to dispose of 19% equity interests in SSTCL to Carrier at a consideration of approximately HK$53,713,000 ("Disposal"). The transaction was completed on 13 December 2009 and the Group's equity interests in SSTCL were reduced from 97.5% to 78.5% as at 31 December 2009. The net assets of the Group's 19% equity interests in SSTCL at the date of disposal were as follows:

	13 December 2009
	HK$'000
Net assets of the Group's 19% equity interests in SSTCL	27,190
Goodwill attributable to disposal (note 20)	42,360
	69,550
Loss on disposal of partial interests in a subsidiary	(15,907)
Total consideration	53,643
Satisfied by:	
Cash consideration	53,713
Transaction costs incurred	(70)
	53,643

45. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000 (note 1)	Capital reserve HK$'000 (note 2)	Share option reserve HK$'000	Accumulated losses HK$'000	Convertible loan notes equity reserve HK$'000	Translation reserve HK$'000	Total HK$'000
THE COMPANY								
At 1 January 2008	607,960	2,084	53,690	7,103	(445,952)	–	–	224,885
Loss for the year	–	–	–	–	(70,894)	–	–	(70,894)
Exchange difference arising during the year	–	–	–	–	–	–	1,579	1,579
Total comprehensive (expense) income for the year	–	–	–	–	(70,894)	–	1,579	(69,315)
Recognition of equity-settled share based payments	–	–	–	30,295	–	–	–	30,295
Recognitions of equity component of convertible loan notes	–	–	–	–	–	82,356	–	82,356
Deferred tax liability on recognition of equity components of convertible loan notes	–	–	–	–	–	(13,589)	–	(13,589)
Exercise of share options	21,348	–	–	(6,955)	–	–	–	14,393
Transaction cost attributable to issue of shares	(104)	–	–	–	–	–	–	(104)
Shares repurchased	(19,296)	–	–	–	–	–	–	(19,296)
At 31 December 2008 and 1 January 2009	609,908	2,084	53,690	30,443	(516,846)	68,767	1,579	249,625
Loss for the year	–	–	–	–	(62,464)	–	–	(62,464)
Exchange difference arising during the year	–	–	–	–	–	–	53	53
Total comprehensive (expense) income for the year	–	–	–	–	(62,464)	–	53	(62,411)
Recognition of equity-settled share based payments	–	–	–	5,597	–	–	–	5,597
Issue of new share	34,500	–	–	–	–	–	–	34,500
Exercise of share options	456	–	–	(188)	–	–	–	268
Share option lapsed	–	–	–	(4,393)	4,393	–	–	–
At 31 December 2009	644,864	2,084	53,690	31,459	(574,917)	68,767	1,632	227,579

45. RESERVES *(Continued)*

Notes:

1: The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

2: By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium of the Company was reduced by an amount of HK$270,000,000. This amount was used to reduce the then Company's accumulated losses of HK$216,310,000 and the balance of HK$53,690,000 was credited to the Company's capital reserve which is non-distributable. At the end of the reporting period, the Company did not have any reserve available for distribution (2008: nil).

46. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Tax losses	Accelerated tax depreciation	Impairment loss on inventories	Impairment loss on trade receivables	Impairment loss on amounts due from customers for contract work	Convertible loan notes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
At 1 January 2008	(19,214)	19,359	(427)	(401)	(2,167)	–	(2,850)
Effect of change in tax rate	1,098	(1,112)	39	36	197	–	258
Charge to equity for the year	–	–	–	–	–	13,589	13,589
(Credit) charge to profit or loss for the year	6,893	(6,408)	(122)	(452)	(1,016)	(792)	(1,897)
At 31 December 2008 and 1 January 2009	(11,223)	11,839	(510)	(817)	(2,986)	12,797	9,100
Exchange realignment	–	–	1	–	–	5	6
Disposal of subsidiaries (note 47(a))	11,223	(11,355)	–	–	–	–	(132)
(Credit) charge to profit or loss for the year	–	(128)	509	472	(1,098)	(6,376)	(6,621)
At 31 December 2009	–	356	–	(345)	(4,084)	6,426	2,353

46. DEFERRED TAXATION *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2009 **HK$'000**	2008 HK$'000
THE GROUP		
Deferred tax assets	**(4,429)**	(4,313)
Deferred tax liabilities	**6,782**	13,413
	2,353	9,100

	Deferred tax liability on convertible loan notes	
	2009 **HK$'000**	2008 HK$'000
THE COMPANY		
At beginning of year	**12,797**	–
Charge to equity for the year	**–**	13,589
Credit to income for the year	**(6,376)**	(792)
Exchange realignment	**5**	–
At end of year	**6,426**	12,797

The Group had recognised deferred tax assets amounted to approximately HK$4,429,000 (2008: HK$4,313,000) in relation to deductible temporary differences of a subsidiary as it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences can be utilised.

46. DEFERRED TAXATION *(Continued)*

At 31 December 2009, the Group had unused tax losses of approximately HK$407,120,000 (2008: HK$931,031,000) available for offseting against future profits. At 31 December 2008, a deferred tax asset has been recognised in respect of tax losses of approximately HK$68,018,000 (2009: nil). No deferred tax asset has been recognised in respect of the remaining HK$407,120,000 (2008: HK$863,013,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely. During the year, a subsidiary with unused tax losses of approximately HK$642,275,000 (comprising recognised tax losses at 31 December 2008: HK$68,018,000, unrecognised tax losses at 31 December 2008: HK$574,257,000) was disposed of.

As 31 December 2009, the Company had unrecognised tax losses amounting to approximately HK$130,282,000 (2008: HK$115,700,000) which can be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$14,518,000 (2008: HK$9,816,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

47. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Dorup Limited ("Dorup")

On 4 May 2009, a subsidiary of the Company entered into an agreement with an independent third party to dispose of its entire 60% equity interest in a subsidiary, Dorup, which carried out manufacturing business of telephone cords and cables, at a consideration of approximately HK$12,342,000. The disposal was completed on 8 May 2009.

The net assets of Dorup at the date of disposal were as follow:

	8 May 2009 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	3,100
Prepaid lease payments	1,180
Club debentures	110
Inventories	2,741
Trade and other receivables	16,268
Bank balances and cash	7,509
Trade and other payables	(13,362)
Deferred tax liabilities	(132)
	17,414
Minority interest	(6,975)
	10,439
Gain on disposal	1,903
Total consideration	12,342
Satisfied by:	
Cash	10,854
Deferred consideration (included in other receivable)	1,488
	12,342
Net cash inflow arising on disposal:	
Cash consideration	10,854
Bank balances and cash disposed of	(7,509)
	3,345

47. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of Dorup Limited ("Dorup") *(Continued)*

Consideration of approximately HK$1,488,000 is expected to be settled in cash by the purchaser within 12 months from the end of the reporting period and is therefore included in current assets.

(b) Disposal of蘇州首長瑞芯微電子有限公司("Suzhou Pixcir")

On 30 November 2009, the Group disposed of its entire 100% equity interest in a subsidiary, Suzhou Pixcir, to an independent third party at a consideration of HK$1,000,000. The net assets of Suzhou Pixcir at the date of disposal were as follows:

	30 November 2009 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	347
Inventories	84
Other receivables	2,492
Bank balances and cash	34
Other payables and accruals	(714)
	2,243
Loss on disposal	(1,243)
Total consideration	1,000
Satisfied by:	
Cash consideration	1,000
Net cash inflow arising on disposal:	
Cash consideration	1,000
Bank balances and cash disposed of	(34)
	966

47. DISPOSAL OF SUBSIDIARIES *(Continued)*

Below is a summary of the disposals in 2009:

(c) Net cash inflow (outflow) on disposal of subsidiaries

	HK$'000
Continuing operations	
Disposal of Dorup (note 47(a))	3,345
Disposal of Suzhou Pixcir (note 47(b))	966
	4,311
Discontinued operation	
Disposal of Remarkable (note 13)	(3,417)
	894

(d) Gain on disposal of subsidiaries

	HK$'000
Continuing operations	
Gain on disposal of Dorup (note 47(a))	1,903
Loss on disposal of Suzhou Pixcir (note 47(b))	(1,243)
	660
Discontinued operation	
Gain on disposal of Remarkable (note 13)	206,904
	207,564

48. DEEMED DISPOSAL OF A SUBSIDIARY

As referred to in note 24(1), following the capital injection during the year ended 31 December 2008, HSC became an associate of the Group. The net assets of HSC at the date of deemed disposal were as follows:

	27 June 2008 HK$'000
Net assets disposed of	
Property, plant and equipment	657
Trade receivables	27
Other receivables	1,777
Amount due from an associate	719
Bank balances and cash	10
Trade payables	(278)
Other payables	(234)
	2,678
Minority interests	(152)
Release of translation reserve	(42)
	2,484
Transferred to investments in associates	(3,792)
Deemed gain on disposal	(1,308)
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(10)

49. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

As explained in note 25 (1), the Group disposed of the equity interest in a jointly controlled entity, Hoperise, to an independent third party, at a consideration of HK$151,115,000. The net assets of Hoperise at the date of disposal were as follows:

	31 July 2009
	HK$'000
Net assets disposed of	147,545
Reclassification of translation difference to profit or loss	(7,219)
	140,326
Gain on disposal	10,470
Total consideration	150,796
Satisfied by:	
Cash consideration	83,600
Deferred cash consideration (included in other receivable)	67,515
Transaction costs	(319)
	150,796

Consideration of approximately HK$67,515,000 is expected to be settled in two instalments in cash by the purchaser on 30 June 2010 and 31 December 2010, respectively and is therefore included in current assets.

50. MAJOR NON-CASH TRANSACTIONS

(a) During the year 31 December 2008, the Group has received a special interim dividend from Printronics Electronics Limited ("PEL") by way of a distribution in specie of Tianjin Printronics Circuit Corporation, ("TPC") shares held by PEL. Details are disclosed in note 27(1).

(b) During the year 31 December 2008, the Group has received a dividend distributed by a jointly controlled entity, Hoperise of HK$10,000,000. The amount has been settled through the current account with a jointly controlled entity.

(c) No major non-cash transaction is noted during the year ended 31 December 2009,

51. OPERATING LEASES

The Group and the Company as lessee

Minimum lease payments paid by the Group under operating leases during the year amounted to approximately HK$4,370,000 (2008: HK$4,819,000).

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,917**	7,647	**2,606**	2,945
In the second to fifth year inclusive	**3,950**	6,015	**3,740**	736
Over five years	**35**	1,159	**–**	–
	6,902	14,821	**6,346**	3,681

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties, factory premises and quarters for directors and staff. Leases are negotiated and rentals are fixed for terms ranging from one to eight years.

51. OPERATING LEASES *(Continued)*

The Group as lessor

Property and machinery rental income earned during the year was approximately HK$3,159,000 (2008: HK$1,391,000), less direct operating expenses of approximately HK$42,000 (2008: HK$75,000).

The Group leases its investment properties and machinery under operating lease arrangements, with leases negotiated for terms ranging from one to five years. All the properties held have committed tenants for the next three years (2008: for the next twelve months). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**3,410**	1,299
In the second to fifth years inclusive	**4,487**	–
	7,897	1,299

52. CAPITAL COMMITMENTS

	THE GROUP	
	2009 **HK$'000**	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**973**	–

53. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee given to banks in respect of banking facilities to a jointly controlled entity				
– amount guaranteed	**–**	55,750	**–**	55,750
– amount utilised	**–**	18,037	**–**	18,037
Cross guarantee given to banks, in respect of banking facilities to third parties				
– amount that could be required to be paid if the guarantee was called upon in entirety	**46,330**	56,500	**–**	–
– amount utilised	**46,330**	50,850	**–**	–
Guarantee given to financial institutions, in respect of finance leases to a subsidiary				
– amount that could be required to be paid if the guarantee was called upon in entirety	**–**	–	**–**	24,102
– amount utilised	**–**	–	**–**	17,358
Guarantee given to banks in respect of bank borrowings obtained by a subsidiary				
– amount guaranteed	**–**	–	**452,000**	–
– amount utilised	**–**	–	**395,500**	–

The Group and the Company had provided guarantees to banks and financial institutions in respect of banking facilities and finance leases granted to third parties, a jointly controlled entity and a subsidiary at nil consideration. Fair value of these financial guarantees at initial recognition is considered as insignificant. In the opinion of the directors, no provision for the guarantee contracts is recognised at the end of the reporting period as the default risk is low.

The financial guarantees given to banks and financial institutions in respect of banking facilities granted to a jointly controlled entity and finance leases granted to a subsidiary in prior years have been released during the year ended 31 December 2009.

54. RETIREMENT BENEFIT SCHEMES

The Group operates a Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group contributes 5% of relevant payroll costs to the MPF Scheme, up to a maximum contribution of HK$1,000 per employee monthly, which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme ("state-managed scheme") operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% of its payroll costs to the state-managed scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the state-managed scheme.

The total cost charged to income of approximately HK$3,225,000 (2008: HK$3,850,000) represents contributions payable to the MPF Scheme and state-managed scheme of approximately HK$826,000 (2008: HK$1,275,000) and HK$2,399,000 (2008: HK$2,575,000) respectively.

55. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	Notes	**2009** **HK$'000**	2008 HK$'000
Management fees paid to a substantial shareholder	(i)	**960**	960
Management fees paid to a related company	(ii)	**660**	660
Interest expenses paid to a related company	(iii)	**209**	689
Utility expenses charged to a jointly controlled entity	(iv)	**–**	965
Purchases from a jointly controlled entity	(v)	**–**	530
Purchases from related companies	(vi)	**711**	3,118
Management fee received from a jointly controlled entity	(vii)	**–**	5

Notes:

(i) Management fees were paid to Shougang Holding for the provision of management services.

(ii) Management fees were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding, for the provision of management services.

(iii) Interest expenses were paid to Shougang (Hong Kong) Finance Company Limited, a subsidiary of Shougang Holding for granting interest-bearing loan advanced to the Group.

(iv) Utility expenses charged to a jointly controlled entity for the year ended 31 December 2008 were related to the reimbursement of certain utility costs incurred by it. The reimbursement was based on the actual costs incurred. The transactions ceased upon the disposal of a jointly controlled entity by the Group in 2009 as disclosed in note 25(1).

(v) Purchases from a jointly controlled entity for the year ended 31 December 2008 were made according to the contract terms. The transactions ceased upon the disposal of a jointly controlled entity by the Group in 2009 as disclosed in note 25(1).

(vi) Purchases were made from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited, both are wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which Shougang Holding (together with its associate) is the single largest shareholder.

(vii) Management fee were received from a jointly controlled entity for the year ended 31 December 2008 for the provision of management service. The transactions ceased upon the disposal of a jointly controlled entity by the Group in 2009 as disclosed in note 25(1).

55. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Details of balances and other arrangements with related parties of the Group and the Company are set out in the Company's and consolidated statements of financial position on pages 59 to 61 and in notes 23, 24, 25, 33, 34, 38 and 53.

(c) Compensation of key management personnel

The remuneration of key management members, who are the directors of the Group during the year, was as follows:

	2009 **HK$'000**	2008 HK$'000
Short term benefits	**10,416**	9,620
Post-employment benefits	**240**	254
Share-based payments	**5,597**	12,342
	16,253	22,216

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

(d) The following guarantees were provided to banks to secure general banking facilities granted to the Group:

Guarantor	**Relationship**	**Type of guarantee**	**Guarantee amount**	
			2009 **HK$'000**	2008 HK$'000
Mr. Chau Chit	Director of the Company	Personal guarantee	**45,200**	25,425
Shougang Holding	Substantial shareholder	Corporate guarantee	**278,000**	278,000
Mega Star Limited	Substantial shareholder	Corporate guarantee	**78,000**	78,000

56. LITIGATION

In December 2008, San Tai Industrial Enterprise Ltd ("Santai"), a subsidiary of the Company, was served with an order (the "Order") issued by the Court of First Instance of the Hong Kong Special Administrative Region to enforce an arbitration award (the "Award") obtained against Santai in Denmark for breach of a referral agreement entered into between Santai and Mercodan A/S ("Mercodan"), a Danish public limited company, on 17 February 2004.

The Award was made on 12 September 2008 in favour of Mercodan against Santai in the sum of US$3,000,000 plus interest and legal costs.

On 16 January 2009, an application was made by Santai to the High Court to set aside the Order (the Application").

On 30 April 2009, a judgment was made by the High Court to dismiss the Application and permit the enforcement of the Award.

On 26 June 2009, Santai paid Mercodan a total sum of US$1,200,000 (equivalent to HK$ 9,305,000) for a full and final settlement of the Award in accordance with the deed of settlement dated on 25 June 2009 signed between Santai and Mercodan.

57. EVENT AFTER THE REPORTING PERIOD

Before the date these consolidated financial statements were authorised for issuance, a wholly owned subsidiary of the Company in the PRC, entered into three agreements with Yangchun Yinshi Digital Television Company Limited, Luoding Yinshi Digital Television Company Limited and Deqing Digital Television Company Limited respectively to acquire the digital TV system equipment at the consideration being calculated by reference to the respective valuations of the relevant digital TV system equipment. Based on the preliminary valuation but subject to adjustment, the aggregate consideration under the three agreements is approximately RMB50 million.

Besides, the Group has signed a total of fourteen non-binding memorandum of understanding with Southern Yinshi and thirteen local digital television project companies respectively for the possible acquisition of the digital TV system equipment by the Group. The considerations will be determined with reference to the valuations of the relevant assets. It is estimated that the aggregate consideration for those digital TV system equipment will amount to approximately RMB365 million.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	426,676	624,388	678,819	905,540	**441,671**
(Loss) gain from operations less finance costs	(280,223)	(97,410)	(120,138)	52,302	**(42,541)**
Gain on partial disposal of a subsidiary	–	–	125,942	–	**–**
Gain on deemed partial disposal of an associate	–	–	64,246	–	**–**
Loss on disposal of partial interests in a subsidiary	–	–	–	–	**(15,907)**
Gain on disposal of an associate	–	–	183	–	**–**
Gain on deemed disposal of a subsidiary	–	–	–	1,308	**–**
Gain on disposal of available-for-investments	–	–	–	15,051	**34,295**
Share of (loss) profit of associates	10,493	17,780	15,552	7,100	**(2,189)**
Share of (loss) profit of jointly controlled entities	13,860	5,592	4,804	(27,325)	**(3,727)**
(Loss) profit before tax	(255,870)	(74,038)	90,589	48,436	**(30,069)**
Income tax credit (expense)	(2,025)	534	(3,498)	(961)	**3,213**
(Loss) profit for the year from continuing operations	(257,895)	(73,504)	87,091	47,475	**(26,856)**
Profit/(loss) for the year from discontinued operation	–	–	–	(73,086)	**169,808**
Attributable to:					
Owners of the Company	(259,075)	(81,509)	78,759	(30,745)	**141,197**
Minority interests	1,180	8,005	8,332	5,134	**1,755**
	(257,895)	(73,504)	87,091	(25,611)	**142,952**
Earnings (loss) per share					
basic (HK cents)	(21.61)	(5.12)	4.46	(1.60)	**6.87**
diluted (HK cents)	–	–	4.31	–	**–**
Dividends	–	–	–	–	**–**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	884,047	1,268,438	1,672,137	2,020,670	**2,686,899**
Total liabilities	(405,163)	(591,046)	(729,158)	(991,184)	**(1,423,518)**
	478,884	677,392	942,979	1,029,486	**1,263,381**
Equity attributable to owners of the Company	468,329	618,650	865,427	1,012,205	**1,218,953**
Minority interests	10,555	58,742	77,552	17,281	**44,428**
	478,884	677,392	942,979	1,029,486	**1,263,381**