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**首長科技集團有限公司**  
**SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 521)

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**INTERIM RESULTS**

The board of directors (the “Board”) of Shougang Concord Technology Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2010*

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2010</b>	2009
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
			(restated)
<b>Continuing operations</b>			
Revenue	3	<b>196,017</b>	147,626
Cost of sales		<b>(122,253)</b>	(89,218)
		<hr/>	<hr/>
Gross profit		<b>73,764</b>	58,408
Other income, gains and losses		<b>(2,370)</b>	9,023
(Decrease) increase in fair value of held-for-trading investments		<b>(2,698)</b>	13,859
Gain on disposal of available-for-sale investments		<b>83</b>	34,295
Selling and distribution costs		<b>(3,983)</b>	(4,858)
Administrative expenses		<b>(44,800)</b>	(25,805)
Gain on disposal of a subsidiary		<b>121</b>	1,903
Gain on partial disposal of an associate		<b>150</b>	–
Gain on fair value change of the derivative components of convertible loan notes		<b>38,389</b>	7,207
Share of profit (loss) of associates		<b>1,271</b>	(1,025)
Share of loss of jointly controlled entities		<b>–</b>	(3,541)
Finance costs	4	<b>(41,840)</b>	(25,579)
		<hr/>	<hr/>
Profit before tax		<b>18,087</b>	63,887
Income tax credit	5	<b>1,257</b>	2,540
		<hr/>	<hr/>
Profit for the period from continuing operations		<b>19,344</b>	66,427
<b>Discontinued operations</b>			
(Loss) profit for the period from discontinued operations		<b>(13,594)</b>	142,456
		<hr/>	<hr/>
Profit for the period	6	<b>5,750</b>	208,883
		<hr/>	<hr/>

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Other comprehensive income</b>		
Exchange difference on translation		
Share of translation difference of associates	<b>162</b>	27
Exchange difference arising during the period	<b>553</b>	597
Reclassification adjustment upon partial disposal of an associate	<b>(32)</b>	–
Available-for-sale investments		
Share of revaluation of available-for-sale investments held by associates	<b>5,307</b>	–
Reclassification adjustment upon partial disposal of an associate	<b>(1,024)</b>	–
Reclassification adjustment on sale of available-for-sale investments	–	(64,500)
Fair value gain on available-for-sale investments	–	16,176
	<hr/>	<hr/>
Other comprehensive income (expense) for the period (net of tax)	<b>4,966</b>	(47,700)
	<hr/>	<hr/>
Total comprehensive income for the period	<b>10,716</b>	161,183
	<hr/> <hr/>	<hr/> <hr/>

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2010</b>	2009
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	(unaudited) (restated)
Profit for the period attributable to:			
Owners of the Company		<b>4,762</b>	208,297
Non-controlling interests		<b>988</b>	586
		<u><b>5,750</b></u>	<u>208,883</u>
Total comprehensive income attributable to:			
Owners of the Company		<b>9,597</b>	160,945
Non-controlling interests		<b>1,119</b>	238
		<u><b>10,716</b></u>	<u>161,183</u>
<b>Earnings (loss) per share</b>			
<i>From continuing and discontinued operations</i>			
Basic	7	<u><b>HK0.22 cents</b></u>	<u>HK10.17 cents</u>
Diluted		<u><b>HK(0.33) cents</b></u>	<u>HK8.92 cents</u>
<i>From continuing operations</i>			
Basic		<u><b>HK0.86 cents</b></u>	<u>HK3.24 cents</u>
Diluted		<u><b>HK0.17 cents</b></u>	<u>HK3.06 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	<i>Notes</i>	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (restated)
<b>NON-CURRENT ASSETS</b>			
Investment properties		39,192	40,900
Property, plant and equipment		102,774	97,145
Prepaid lease payments		2,494	2,536
Goodwill		193,110	193,110
Intangible assets		114,794	120,201
Deposits paid for acquisition of equipment		614,757	353,870
Deposits paid for acquisition of a property		39,900	–
Investments in associates		90,070	86,788
Available-for-sale investments		22,129	16,849
Club debentures		700	700
Deferred tax assets		4,468	4,429
Other receivable		30,250	31,298
		<b>1,254,638</b>	947,826
<b>CURRENT ASSETS</b>			
Prepaid lease payments		84	84
Inventories		70,274	63,289
Trade and bills receivables	8	155,762	291,120
Prepayments, deposits and other receivables		391,624	620,390
Held-for-trading investments		11,233	4,826
Amounts due from customers for contract work		321,959	336,046
Advance to associates		26,981	–
Tax recoverable		1,726	1,720
Pledged bank deposits		60,198	13,123
Bank balances and cash		270,105	408,475
		<b>1,309,946</b>	1,739,073
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	137,669	243,194
Other payables, deposits received and accruals		61,681	97,873
Provision		29,801	40,162
Amounts due to customers for contract work		41,371	28,847
Amount due to an associate		–	643
Tax liabilities		4,340	11,496
Bank borrowings – due within one year		196,983	130,256
Convertible loan notes	10	416,597	–
Embedded derivative components of convertible loan notes	10	34,634	–
		<b>923,076</b>	552,471
<b>NET CURRENT ASSETS</b>		<b>386,870</b>	1,186,602
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,641,508</b>	2,134,428

		<b>30 June 2010</b>	31 December 2009
	<i>Notes</i>	<b>HK\$'000</b> <b>(unaudited)</b>	<i>HK\$'000</i> (restated)
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year		<b>361,837</b>	396,411
Convertible loan notes	10	–	395,025
Embedded derivative components of convertible loan notes	10	–	72,829
Deferred tax liabilities		<b>4,434</b>	6,782
		<hr/> <b>366,271</b> <hr/>	<hr/> 871,047 <hr/>
<b>NET ASSETS</b>		<b><u>1,275,237</u></b>	<b><u>1,263,381</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>535,535</b>	535,535
Reserves		<b>693,015</b>	683,418
		<hr/> <b>1,228,550</b> <hr/>	<hr/> 1,218,953 <hr/>
Equity attributable to owners of the Company		<b>1,228,550</b>	1,218,953
Non-controlling interests		<b>46,687</b>	44,428
		<hr/> <b>1,275,237</b> <hr/>	<hr/> 1,263,381 <hr/>
<b>TOTAL EQUITY</b>		<b><u>1,275,237</u></b>	<b><u>1,263,381</u></b>

*Notes:*

**1. BASIS OF PREPARATION**

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

**2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

Regarding the disposal of a wholly-owned subsidiary and partial disposal of an associate during the current period, the application of HKAS 27 (Revised) and consequential amendment to HKAS 28 had no effect on the condensed consolidated financial statements of the Group for current or prior accounting periods. As there was no transaction during the current interim period in which HKFRS 3 (Revised) are applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs resulting from issue of HKFRS 3 (Revised) and HKAS 27 (Revised) had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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

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

The amendment to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued in 2009 as part of the Improvements to HKFRSs clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

#### **Amendment to HKAS 17 Leases**

As part of Improvements to HKFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land qualifies for finance lease classification have been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with a previous carrying amount of approximately HK\$5,500,000 and HK\$5,214,000 at 1 January 2009 and 31 December 2009 to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment increased from approximately HK\$226,324,000 and approximately HK\$91,931,000 at 1 January 2009 and 31 December 2009 to approximately HK\$231,824,000 and approximately HK\$97,145,000 respectively.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### **3. SEGMENT INFORMATION**

The Group's operating segments relating to continuing operations identified based on information reported to the chief operating decision maker, an executive director of the Group, for the purposes of resource allocation and performance assessment are as follows:

- Digital television ("DTV") technical solutions and equipment business – Manufacture and sales of DTV equipments and provision of DTV technical services.
- 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.

The traditional business and the photomask business operations were discontinued in June 2010 and June 2009, respectively. As a result, the comparative figures of segment information for the period ended 30 June 2009 have been restated. Principal activities of traditional business are manufacturing and distribution of telephone accessories, power cords and adaptors.

The following is an analysis of the Group's revenue and results by operating segment relating to continuing operations for the periods under review:

**Six months ended 30 June 2010 (unaudited)**

**Continuing operations**

	Digital technical solutions and equipment business <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	High precision metal components <i>HK\$'000</i>	Intelligent information business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE						
External sales	<u>49,943</u>	<u>600</u>	<u>10,357</u>	<u>135,020</u>	<u>97</u>	<u>196,017</u>
Segment profit (loss)	<u>29,212</u>	<u>(303)</u>	<u>(1,544)</u>	<u>9,192</u>	<u>(15,091)</u>	<u>21,466</u>
Unallocated income						4,920
Unallocated expense						(3,775)
Decrease in fair value of held-for-trading investments						(2,698)
Gain on fair value change of the derivative components of convertible loan notes						38,389
Gain on disposal of available-for-sales investments						83
Gain on disposal of a subsidiary						121
Gain on partial disposal of an associate						150
Share of profit of associates						1,271
Finance costs						(41,840)
Profit before tax (Continuing Operations)						<u>18,087</u>

Six months ended 30 June 2009 (unaudited)

Continuing operations

	Digital technical solutions and equipment 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
SEGMENT REVENUE						
External sales	57,681	510	9,694	79,666	75	147,626
Inter-segment sales	2,316	–	–	–	–	2,316
	59,997	510	9,694	79,666	75	149,942
Eliminations	(2,316)	–	–	–	–	(2,316)
Group's revenue	<u>57,681</u>	<u>510</u>	<u>9,694</u>	<u>79,666</u>	<u>75</u>	<u>147,626</u>
Segment profit (loss)	<u>33,948</u>	<u>538</u>	<u>1,217</u>	<u>9,517</u>	<u>(9,951)</u>	35,269
Unallocated income						5,442
Unallocated expense						(3,943)
Increase in fair value of held-for-trading investments						13,859
Gain on fair value change of the derivative components of convertible loan notes						7,207
Gain on disposal of available-for-sale investments						34,295
Gain on disposal of a subsidiary						1,903
Share of loss of associates						(1,025)
Share of loss of jointly controlled entities						(3,541)
Finance costs						(25,579)
Profit before tax (Continuing Operations)						<u>63,887</u>

All of the segment revenue reported for the period ended 30 June 2010 is from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of decrease (increase) in fair value of held-for-trading investments, gain on fair value change of the derivative components of convertible loan notes, gain on disposal of available-for-sale investments, gain on disposal of a subsidiary, gain on partial disposal of an associate, share of profit (loss) of associates, share of loss of jointly controlled entities, unallocated income and expense, finance costs and income tax. This is the measure reported to the chief operating decision maker, the executive director of the Group, for the purposes of resource allocation and performance assessment.

#### 4. FINANCE COSTS

	Six months ended	
	30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Interest on:		
Convertible loan notes ( <i>note 10</i> )	27,028	19,208
Bank borrowings wholly repayable within five years	14,812	6,164
Amount due to a related company	–	207
	<u>41,840</u>	<u>25,579</u>
	<b><u>41,840</u></b>	<b><u>25,579</u></b>

#### 5. INCOME TAX CREDIT

	Six months ended	
	30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Current tax:		
Hong Kong	–	–
Other regions in the People's Republic of China (the "PRC")	1,090	1,148
	<u>1,090</u>	<u>1,148</u>
	<b><u>1,090</u></b>	<b><u>1,148</u></b>
Underprovision in prior year:		
Hong Kong	–	28
PRC	–	398
	<u>–</u>	<u>426</u>
	<b><u>–</u></b>	<b><u>426</u></b>
Deferred tax	(2,347)	(4,114)
	<u>(2,347)</u>	<u>(4,114)</u>
	<b><u>(2,347)</u></b>	<b><u>(4,114)</u></b>
Income tax credit relating to continuing operations	<u>(1,257)</u>	<u>(2,540)</u>
	<b><u>(1,257)</u></b>	<b><u>(2,540)</u></b>

The income tax credit is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 15% for the period under review. The relevant tax rates for the Group's subsidiaries ranged from 15% to 25% for the six months ended 30 June 2010 and 2009.

## 6. PROFIT FOR THE PERIOD

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Profit for the period has been arrived at after (crediting) charging the following items:						
Revenue ( <i>note 3</i> )	(196,017)	(209)	(196,226)	(147,626)	(36,032)	(183,658)
Cost of sales	122,253	17,072	139,325	89,218	70,240	159,458
Interest income from deposits paid for acquisition of a property	(1,662)	–	(1,662)	–	–	–
Interest income from bank deposit	(255)	–	(255)	(423)	(8)	(431)
Release of prepaid lease payment	11	31	42	11	44	55
Amortisation of intangible assets (included in administrative expense)	4,043	–	4,043	3,201	–	3,201
Depreciation of property, plant and equipment	4,180	1,645	5,825	5,044	26,412	31,456
Total depreciation and amortisation	8,234	1,676	9,910	8,256	26,456	34,712
Gain on disposal of available-for-sale investments	(83)	–	(83)	(34,295)	–	(34,295)
(Gain) loss on disposal of property, plant and equipment	(45)	–	(45)	3,855	–	3,855
Fair value changes on investment properties	(59)	–	(59)	–	–	–
Finance cost ( <i>note 4</i> )	41,840	2	41,842	25,579	1,859	27,438
(Profit) loss before tax	(18,087)	13,594	(4,493)	(63,887)	(142,606)	(206,493)
Impairment loss recognised in respect of intangible assets	2,274	–	2,274	–	–	–
Impairment loss recognised in respect of other receivable	3,775	–	3,775	–	–	–
Impairment loss recognised in respect of inventories	–	1,141	1,141	5,145	10,720	15,865
Recognition (reversal) of impairment loss recognised in respect of trade receivables ( <i>note a</i> )	3,722	208	3,930	(6)	1,643	1,637
Reversal of impairment loss recognised in respect of amounts due from customers for contract work ( <i>note b</i> )	(2,226)	–	(2,226)	(1,785)	–	(1,785)

*Note a:* The amount represents the impairment loss recognised on trade receivables which the directors considered the amounts are uncollectible.

*Note b:* The amount represents the reversal of impairment loss previously recognised on amounts due from customers for contract work which the directors considered further progress billing exceeds the carrying value of the corresponding contract costs incurred to date plus recognised profits less recognised losses.

## 7. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

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

	Six months ended	
	30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>(Loss) earnings</b>		
Earnings for the purpose of basic earnings per share		
(Profit for the period attributable to owners of the Company)	4,762	208,297
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	27,028	19,208
Gain on fair value change of the derivative components of convertible loan notes	(38,389)	(7,207)
Deferred tax on convertible loan notes	(2,347)	(4,114)
	<u>          </u>	<u>          </u>
(Loss) earnings for the purposes of diluted (loss) earnings per share	<u><u>(8,946)</u></u>	<u><u>216,184</u></u>
	<b>2010</b>	2009
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,142,141	2,047,913
Effect of dilutive potential ordinary shares:		
– share options	5,030	–
– convertible loan notes	543,750	376,761
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u><u>2,690,921</u></u>	<u><u>2,424,674</u></u>

For the period ended 30 June 2010, the calculation of diluted loss per share assumes the exercise of the Company's outstanding share options since the exercise prices of these share options are lower than the average market prices of the Company's shares.

For the period ended 30 June 2009, the calculation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise prices of these share options are higher than the average market prices of the Company's shares.

### **From continuing operations**

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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Earnings figures are calculated as follows:		
Profit for the period attributable to the owners of the Company	<b>4,762</b>	208,297
Loss (profit) for the period from discontinued operations attributable to the owners of the Company	<b>13,588</b>	(141,989)
	<hr/>	<hr/>
Earnings for the purpose of basic earnings per share from continuing operations attributable to the owners of the Company	<b>18,350</b>	66,308
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	<b>27,028</b>	19,208
Gain on fair value change of the derivative components of convertible loan notes	<b>(38,389)</b>	(7,207)
Deferred tax on convertible loan notes	<b>(2,347)</b>	(4,114)
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share from continuing operations	<b>4,642</b>	74,195
	<hr/> <hr/>	<hr/> <hr/>

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

### From discontinued operations

Basic loss per share from discontinued operations is HK0.64 cents per share (2009: basic earnings per share from discontinued operations is HK6.93 cents per share) and diluted loss per share from discontinued operations was HK1.01 cents per share (2009: diluted earnings per share from discontinued operations HK6.18 cents) based on the loss for the period from the discontinued operations attributable to the owners of the Company of approximately HK\$13,588,000 (profit for the six months ended 30 June 2009 from the discontinued operations attributable to the owners of the Company of approximately HK\$141,989,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

For the period ended 30 June 2010, the calculation of diluted loss per share assumes the exercise of the Company's outstanding share options since the exercise prices of these share options are lower than the average market prices of the Company's shares.

For the period ended 30 June 2009, the calculation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise prices of these share options are higher than the average market prices of the Company's shares.

## 8. TRADE AND BILLS RECEIVABLES

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

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

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
0 – 90 days	<b>82,999</b>	118,634
91- 180 days	<b>46,960</b>	65,172
181 – 365 days	<b>13,683</b>	30,592
1 – 2 years	<b>11,387</b>	75,777
Over 2 years	<b>733</b>	945
	<hr/> <b>155,762</b> <hr/>	<hr/> 291,120 <hr/>

## 9. TRADE AND BILLS PAYABLES

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

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
0 – 90 days	97,285	176,395
91 -180 days	24,980	26,468
181 – 365 days	10,238	13,144
1 – 2 years	3,680	24,013
Over 2 years	1,486	3,174
	<u>137,669</u>	<u>243,194</u>

## 10. CONVERTIBLE LOAN NOTES

The movement of the liability component and the derivative components (including conversion option derivative, bondholders early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the period ended 30 June 2010 is as follows:

	<b>Liability component HK\$'000</b>	<b>Derivative components HK\$'000</b>
At 1 January 2010 (audited)	395,025	72,829
Interest charge	27,028	–
Interest paid	(5,728)	–
Exchange realignment	272	194
Gain arising on changes of fair value	–	(38,389)
	<u>416,597</u>	<u>34,634</u>
Carrying amount at 30 June 2010 (unaudited)	<u>416,597</u>	<u>34,634</u>

- (a) On 17 April 2008, the Company issued convertible loan notes with an aggregate principal amount of HK\$385,000,000 (“Convertible Notes”). The maturity date of the Convertible Notes is 17 April 2011 (“Maturity Date”). The Convertible Notes carry 3% coupon interest per annum payable semi-annually and 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, the Convertible Notes are 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 30 June 2010, the carrying amount of the liability component of the Convertible Notes is approximately HK\$360,300,000. No conversion was noted for the period ended 30 June 2010 and year ended 31 December 2009.

As the Convertible Notes will mature on 17 April 2011, the liability component is reclassified as current liabilities at its carrying amount as at 30 June 2010.

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

The major terms of Convertible Bond are as follows:

- (i) Conversion option:

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

- (ii) Compulsory conversion option:

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

(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 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 a 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 a liability component, a conversion option derivative, a compulsory conversion option derivative and a 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 value at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss for the period ended 30 June 2010.

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

	<b>30 June 2010</b>	5 June 2009
Stock price	<b>HK\$0.44</b>	HK\$0.60
Exercise price	<b>HK\$0.60</b>	HK\$0.60
Volatility ( <i>Note</i> )	<b>59%</b>	50%
Dividend yield	<b>0%</b>	0%
Option life	<b>3.93 years</b>	5 years
Risk free rate	<b>1.44%</b>	2.83%

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

The fair value of the Convertible Bond with embedded derivatives was determined with reference to a valuation report carried out by an independent and recognised international business valuer, on Issue Date at approximately HK\$116,250,000. At 30 June 2010, the carrying amount of the liability component of the Convertible Bond is approximately HK\$56,297,000 and the fair value of the derivative component of the Convertible Bond is approximately HK\$34,634,000. No conversion was noted for the period ended 30 June 2010.

As the Convertible Bond could be redeemed by the Convertible Bondholder starting from 5 June 2011, the entire Convertible Bond is reclassified as current liabilities as at 30 June 2010.

## **INTERIM DIVIDEND**

The Board did not declare an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Turnover from the continuing operations for the six months ended 30 June 2010 amounted to HK\$196.0 million (for the six months ended 30 June 2009: HK\$147.6 million), representing an increase of 33% over the corresponding period of the previous year. The increase in turnover was attributable to a steady income growth recorded in system integration solution services and that some new large-scale projects were secured in 2010.

Profit attributable to the owners of the Company for the period amounted to HK\$4.8 million (for the six months ended 30 June 2009: HK\$208.3 million). Profit for the period was mainly attributable to the profit derived from continuing operations of HK\$19.3 million, less loss derived from the traditional business of HK\$13.6 million. The traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. As the profit margin of the traditional business was lower and recurring losses were noted, the Group decided to allocate and transfer the resources to other businesses with higher profit margin. The traditional business only recorded a turnover of HK\$200,000 during the period and was classified as discontinued operation in the interim report. The profit for the six months ended 30 June 2009 was mainly attributable to the disposal of two subsidiaries which recognized a gain of approximately HK\$208.8 million. The basic profit per share from continuing and discontinued operations was HK0.22 cents (for the six months ended 30 June 2009: HK10.17 cents). By excluding the discontinued operation, the basic earnings per share from continuing operations was HK0.86 cents (for the six months ended 30 June 2009: HK3.24 cents).

As at 30 June 2010, the Group's equity attributable to the owners of the Company amounted to HK\$1,228.6 million, an increase of HK\$9.6 million over the audited figure as at 31 December 2009 of HK\$1,219.0 million. The net asset value per share attributable to the owners of the Company as at 30 June 2010 was HK\$0.57 (31 December 2009: HK\$0.57).

## **Digital Television Business**

As at 30 June 2010, 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 period under review, 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\$47.6 million (six months period ended 30 June 2009: HK\$44.6 million). The rise in service fee received was mainly due to the increasing number of new subscribers during the period. However, the weak domestic and global economy environment adversely affected the consumer sentiment in the first half of the year. As a result, the Group reported a turnover of approximately HK\$2.4 million through the provision and manufacture of digital television equipment compared with a turnover of approximately HK\$13.1 million in the last corresponding period. The Group will continue to devote more resources and effort to explore the new domestic and export markets and the management still believes that the digital television business can generate a rewarding return to the Group in the long run.

## **System Integration Solution Services**

The system integration solution services have continued to generate a stable return for the Group. The turnover and operating profit of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as “SST”) for the six months ended 30 June 2010 amounted to HK\$135.0 million (for the six months ended 30 June 2009: HK\$79.7 million) and HK\$9.2 million (for the six months ended 30 June 2009: operating profit of HK\$9.5 million) respectively.

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

## **Traditional Business – Discontinued operation**

The traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. The turnover and the operating loss of the traditional business for the six months ended 30 June 2010 amounted to HK\$200,000 (for the six months ended 30 June 2009: HK\$27.3 million) and HK\$13.6 million (for the six months ended 30 June 2009: HK\$27.4 million) respectively. The loss incurred by traditional business during the period are mainly caused by the substantial decrease in turnover without corresponding decrease in operating expenses, the one-off compensation payment to laid-off employees, and the provision made

for inventories due to customs clearance or obsolescence. As the profit margin of the traditional business was lower and recurring losses were noted, the Group decided to allocate and transfer the resources to other businesses with higher profit margin. The traditional business only recorded a turnover of HK\$200,000 during the period and was classified as discontinued operation in the interim report. The management intended to lease the properties and other fixed assets located at Dongguan Factory in respect of the traditional business, and is liaising actively with prospective lessees for negotiation to materialize the lease of the same.

### **High Precision Metal Components**

For the six months ended 30 June 2010, the turnover and the operating loss of high precision metal components business amounted to HK\$10,400,000 (for the six months ended 30 June 2009: HK\$9,700,000) and HK\$1,500,000 (for the six months ended 30 June 2009: operating profit of HK\$1,200,000) respectively.

On 31 July 2010, the Group completed the disposal of the entire equity interests in Hop Cheong Holdings Limited (hereinafter abbreviated as “Hop Cheong”). Prior to the disposal, Hop Cheong was a wholly owned subsidiary of the Company. Hop Cheong is an investment holding company and the primary activities of its subsidiaries are manufacture and sale of high precision metal components. The consideration for the disposal amounted to approximately HK\$10,000,000. Details of the transactions contemplated under the agreement were disclosed in the announcement dated 8 July 2010.

The disposal will help streamline the business operation of the Group and concentrate resources in businesses that can bring better return for the shareholders. The Group intended to use the proceeds from the disposal to further develop its digital TV and related businesses in China.

### **Photomask – Discontinued operation**

The photomask business was classified as 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 for the six months ended 30 June 2009 with a reported loss of HK\$37.1 million up to the date of disposal. The Group disposed Remarkable 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. The purchaser undertook to repay the Group the consideration of US\$27.3 million (approximately HK\$212.7 million) not yet received according to an updated repayment schedule. The management will monitor closely the repayment and make adequate provision if considered necessary.

## PROSPECT

Through the disposal of Hop Cheong and the discontinuance of the traditional business, the Group will deploy resources in digital television business and system integration solution services. Along with the accelerated implementation of the State's policy of "integration of the three networks", the Group will intensify its collaboration with Southern Yinshi to speed 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 following the stabilization of the global economy, the revenue from sales of digital television equipment will rebound gradually. The Group has well maintained the plant facilities in respect of the digital television equipment business in Dongguan for the anticipated growth in the sales of the digital television equipment.

In addition, a subsidiary established by the Group will focus on the development of cooling system for mobile telecommunication base station in the sphere of intelligent system business, providing a series of energy saving products to reduce system energy consumption, which is in line with the business strategy of last year. 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 Group in the future.

## FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 30 June 2010, as compared to 31 December 2009 is summarized below:

	As at	
	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Total debt		
– from banks	558,820	526,667
– from convertible loan notes	416,597	395,025
Sub-total	975,417	921,692
Cash and bank deposits	270,105	408,475
Net debt	705,312	513,217
Total capital (equity and total debt)	2,203,967	2,140,645
Total assets	2,566,864	2,686,899
Financial leverage		
– net debt to total capital	32.0%	24.0%
– net debt to total assets	27.5%	19.1%

### **Financing activities**

During the period, the Group had obtained new borrowings of RMB118.0 million, which were bank loans with maturity of half to one year and were mainly used to provide daily working capital for SST. These finances bore interest at variable interest rate based on the benchmark interest of The People's Bank of China.

### **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, Renminbi and United States dollars. The operation results of the Group might be affected by the volatility of Renminbi. 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 30 June 2010, there were no derivative financial instruments employed by the Group.

### **CAPITAL STRUCTURE**

During the period under review, 6,000,000 share options lapsed, and relevant share options reserve of approximately HK\$900,000 was transferred to accumulated losses.

The number of issued ordinary shares of the Company was approximately 2,142,100,000 as at 30 June 2010 and 31 December 2009.

### **MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT**

Other than those disclosed in the paragraph under "Business Review" above, the Group had no other material acquisition, disposal and significant investment during the six months ended 30 June 2010.

### **CONTINGENT LIABILITIES**

As at 30 June 2010, the contingent liabilities of the Group were arisen from cross guarantees given by SST of RMB41,000,000 (31 December 2009: RMB41,000,000) for credit facilities utilized by third parties and from a guarantee given by SST of RMB2,000,000 for credit facilities utilized by an associate (31 December 2009: Nil).

### **EMPLOYEES AND REMUNERATION POLICIES**

The Group had a total of approximately 679 employees at 30 June 2010.

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.

## **EVENTS AFTER THE END OF THE INTERIM PERIOD**

### **Disposal of a subsidiary**

On 8 July 2010, the Company entered into an agreement to sell its entire interest in Hop Cheong, to an independent third party at a consideration of approximately HK\$10,000,000. The disposal was completed on 31 July 2010. The assets and liabilities held by Hop Cheong prior to the disposal were approximately HK\$13,600,000 and HK\$5,000,000 respectively. The Group estimated the gain on disposal to be approximately HK\$1,400,000. Details are set out in the announcement dated 8 July 2010.

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

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

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

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2010.

## **APPRECIATION**

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

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

Hong Kong, 26 August 2010

*As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Mung Kin Keung (Vice Chairman), Mr. Chau Chit (Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Chan Wah Tip, Michael (Non-executive Director), Mr. Lee Fook Sun (Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director) and Mr. Wong Wai Kwan (Independent Non-executive Director).*