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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)

MAJOR AND CONNECTED TRANSACTIONS

**IN RELATION TO THE DISPOSAL OF INTEREST IN SOUTHERN YINSHI AND THE
EXISTING PROJECT COMPANIES AND
ASSIGNMENT OF THE EXISTING INCOME SHARING RIGHTS**

AND

**THE ACQUISITION OF
THE NEW INCOME SHARING RIGHTS FOR THE DIGITAL TELEVISION BUSINESS**

AND

MAJOR TRANSACTION

**IN RELATION TO THE PURCHASE AND CONSTRUCTION OF
THE DIGITAL TELEVISION RELATED EQUIPMENT**

The Share Disposal

On 3 September 2010, Yijiatong and Yinshi Consultant entered into the Share Disposal Agreement pursuant to which Yijiatong has conditionally agreed to sell and Yinshi Consultant has conditionally agreed to acquire the Sale Shares for a consideration of RMB12,166,000 (equivalent to approximately HK\$13.9 million), which will be satisfied in full in cash within 15 days from the date of fulfillment of all the conditions under the Share Disposal Agreement.

The Sale Shares represent (i) a 39% interest in the registered capital of Southern Yinshi; and (ii) a 36.11% interest in the registered capital of one existing Project Company and a 49% interest in the registered capital in each of the 16 existing Project Companies held by Yijiatong.

The Novation

On 3 September 2010, Yijiatong and Yinshi Consultant entered into the Novation Agreement pursuant to which Yijiatong has conditionally agreed to novate to Yinshi Consultant all of its rights and obligations under the Existing Cooperation Agreement for a consideration of RMB108 million (equivalent to approximately HK\$123.6 million), which will be satisfied in full in cash within 5 Business Days from the date on which the Novation Agreement takes effect.

New Income Sharing Rights Acquisition

On 3 September 2010, Yijiatong and Yinshi Consultant entered into the Supplemental Agreement to the Yinshi Operation Agreements pursuant to which Yinshi Consultant agrees to novate certain rights and obligations under the Yinshi Operation Agreements to Yijiatong for a consideration of RMB360 million (equivalent to approximately HK\$411.8 million). Pursuant to the Yinshi Operation Agreements as supplemented by the Supplemental Agreement, Yijiatong is responsible for providing the Services to Southern Yinshi and the Project Companies for which Yijiatong will be entitled to the New Income Sharing Rights, representing (i) 80% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the Existing Income Sharing Rights, generated by Southern Yinshi and the Project Companies for the first 8 years from the commencement date of the provision of the Services; (ii) 50% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the Existing Income Sharing Rights generated by Southern Yinshi and the Project Companies for the 9th to the 15th year from the commencement date of the provision of the Services; and (iii) a rate to be negotiated and agreed upon the parties after the 15th year.

The consideration for the Supplemental Agreement of RMB360 million (equivalent to approximately HK\$411.8 million) to be paid by Yijiatong will be satisfied in cash in four installments within 18 months from the date on which the Supplemental Agreement takes effect.

Equipment Purchase and Construction

On 3 September 2010, Yijiatong and Southern Yinshi entered into the Entrustment Agreement pursuant to which Southern Yinshi has conditionally agreed to purchase and construct the Equipment for Yijiatong for nil consideration provided that Yijiatong shall reimburse Southern Yinshi of all costs for the purchase of the Equipment. Yijiatong will use the Equipment purchased or to be purchased by Southern Yinshi for its provision of the Services pursuant to the Supplemental Agreement.

Pursuant to the Entrustment Agreement, the cap amount to be paid by Yijiatong for the Equipment Purchase and Construction is RMB800 million (equivalent to approximately HK\$915.2 million).

General

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 75%, the Share Disposal and the Novation in aggregate constitute a major transaction under the Listing Rules. In addition, as at the date of this announcement, Yinshi Consultant is held as to 70% and 30% by Mr. Xu Donghui (“Mr. Xu”) and Mr. Zhang Genliang (“Mr. Zhang”), respectively. Since Mr. Xu and Mr. Zhang are former directors of a subsidiary of the Company, Yinshi Consultant is considered to be an associate of a connected person of the Company and the Share Disposal and the Novation in aggregate will constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Since the applicable ratios in relation to the Share Disposal and the Novation in aggregate are over 5%, the Share Disposal and the Novation in aggregate is subject to the requirements of reporting, announcement and Independent Shareholders’ approval under Chapter 14A of the Listing Rules. Accordingly, the Company will seek the Independent Shareholders’ approval at the EGM for the transactions contemplated under the Share Disposal Agreement and the Novation Agreement.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the New Income Sharing Rights Acquisition constitutes a major transaction under the Listing Rules. In addition, as at the date of this announcement, Yinshi Consultant is held as to 70% and 30% by Mr. Xu and Mr. Zhang, respectively. Since Mr. Xu and Mr. Zhang are former directors of a subsidiary of the Company, Yinshi Consultant is considered to be an associate of a connected person of the Company and the New Income Sharing Rights Acquisition will constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Since the applicable ratios in relation to the New Income Sharing Rights Acquisition are over 5%, the New Income Sharing Rights Acquisition is subject to the requirements of reporting, announcement and Independent Shareholders’ approval under Chapter 14A of the Listing Rules. Accordingly, the Company will seek the Independent Shareholders’ approval at the EGM for the transactions contemplated under the Supplemental Agreement.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the Equipment Purchase and Construction constitutes a major transaction under the Listing Rules and is subject to approval by the Shareholders at the EGM.

A circular containing, among others, (i) details of the Share Disposal, the Novation, the New Income Sharing Rights Acquisition and the Equipment Purchase and Construction; (ii) the recommendation of the Independent Board Committee regarding the Share Disposal, the Novation and the New Income Sharing Rights Acquisition to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on the Share Disposal, the Novation and the New Income Sharing Rights Acquisition; and (iv) a notice of the EGM is expected to be despatched to the Shareholders by or around 15 October 2010 as more time is required to prepare all necessary information to be included in the circular of the Company.

INTRODUCTION

Reference is made to the announcement issued by the Company dated 10 March 2008 (the “Announcement”) in relation to the Group’s development in the digital television business services. As stated in the Announcement, on 10 March 2008, the Company entered into the Existing Cooperation Agreement with Southern Yinshi in respect of the establishment of an operational platform in the Guangdong Province for the provision of multi-media information services based on a cabled digital television network in accordance with the Existing Cooperation Agreement.

Pursuant to the Existing Cooperation Agreement, the Company provides equipment and technical services to Southern Yinshi and the existing Project Companies, including the provision of technical solutions and equipment such as set-top boxes. In return, the Company is entitled to receive (i) 80% of the total annual income of Southern Yinshi and the existing Project Companies, after deduction of tax payable and fees payable to the relevant television stations of the municipalities or counties, and the amount for the repayment of loans for the Digital TV Business by Southern Yinshi and the Project Companies, as technical service charges from the year when normal operation of Southern Yinshi and the Project Companies commences to the 8th year; and (ii) a rate to be negotiated and agreed upon between the parties after the 8th year.

The Group proposed to reorganize the current business model of its Digital TV Business services (the “Reorganization”). Under the Reorganization, Yijiatong entered into the Share Disposal Agreement with Yinshi Consultant pursuant to which Yijiatong has conditionally agreed to sell and Yinshi Consultant has conditionally agreed to acquire the Sale Shares in Southern Yinshi and the Project Companies. At the same time, Yijiatong also entered into the Novation Agreement with Yinshi Consultant pursuant to which Yijiatong has conditionally agreed to novate to Yinshi Consultant all of its rights and obligations under the Existing Cooperation Agreement, including the Existing Income Sharing Rights. Having obtained the rights under the Existing Cooperation Agreement, Yinshi Consultant negotiated with Southern Yinshi and the existing Project Companies to replace the Existing Cooperation Agreement with the Yinshi Operation Agreements. Pursuant to the Yinshi Operation Agreements, Yinshi Consultant will, amongst others, provide the Services to Southern Yinshi and the Project Companies and will be entitled to the New Income Sharing Rights in return. Thereafter, Yinshi Consultant entered into the Supplemental Agreement with Yijiatong pursuant to which Yinshi Consultant has conditionally agreed to novate its obligations of provision of the Services and to assign the New Income Sharing Rights to Yijiatong. To facilitate its provision of the Services, Yijiatong entered into the Entrustment Agreement with Southern Yinshi pursuant to which Southern Yinshi will purchase and construct the Equipment for Yijiatong for its provision of the Services. Details of each of the aforesaid agreements are set out below.

The Share Disposal, the Novation and the New Income Sharing Rights Acquisition will be put forward to the Independent Shareholders to approve as one resolution while the Entrustment Agreement will be put forward the Shareholders to approve as another resolution. As such, each of the Share Disposal, the Novation and the New Income Sharing Rights Acquisition will be inter-conditional to each other. The Entrustment Agreement is not inter-conditional to any other Agreements.

By virtue of the Reorganization, the Group could obtain the New Income Sharing Rights which is anticipated to offer a better financial return to the Group than the Existing Income Sharing Rights. Besides, as a result of the Reorganization, the Group can streamline its operations in the Digital TV Business services and will act solely as equipment and technical services provider. The Group will no longer be required to provide funding to Southern Yinshi and/or the Project Companies other than that for the purchase and construction of the Equipment. Details of the differences between the Existing Cooperation Agreement and the Yinshi Operation Agreements as supplemented by the Supplemental Agreement are set out in the “Reasons for the Transactions” section of this announcement.

The involvement of Yinshi Consultant will help the Group to streamline its operations in the Digital TV Business services as Yinshi Consultant will take up the roles of the Group (other than as equipment and technical services provider) under the Existing Cooperation Agreement. Besides, Yinshi Consultant is in a position to negotiate with Southern Yinshi and the Project Companies for replacing the Existing Cooperation Agreement with the Yinshi Operation Agreements under which the New Income Sharing Rights can be obtained. Yinshi Consultant is currently jointly developing television advertising business with Southern Media and is interested in developing digital television business other than provision of technical services. The transactions between Yijiatong and Yinshi Consultant will constitute connected transactions for the Company and an Independent Financial Adviser will be engaged by the Company to advise the Independent Shareholders on the fairness and reasonableness of the relevant transactions.

THE SHARE DISPOSAL AND THE NOVATION

The Disposal Agreements

The Disposal Agreements comprise the Share Disposal Agreement and the Novation Agreement, details of which are set out below.

The Share Disposal Agreement

Date : 3 September 2010

Parties : (1) Yijiatong, a wholly-owned subsidiary of the Company, as vendor
(2) Yinshi Consultant, as purchaser

Yinshi Consultant is principally engaged in media businesses.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquires, Yinshi Consultant is a company incorporated in the PRC with limited liability and Yinshi Consultant is considered to be an associate of a connected person of the Company, as Yinshi Consultant is held as to 70% and 30% by Mr. Xu and Mr. Zhang, respectively, being former directors of a subsidiary of the Company within 12 months preceding the date of the Share Disposal Agreement.

Assets to be disposed of

The Sale Shares represent (i) a 39% interest in the registered capital of Southern Yinshi; and (ii) a 36.11% interest in the registered capital of one existing Project Company and a 49% interest in the registered capital of each of the 16 existing Project Companies held by Yijiatong.

Consideration

The consideration of the Share Disposal is RMB12,166,000 (equivalent to approximately HK\$13.9 million), which will be satisfied in full in cash within 15 days from the date of fulfillment of all the conditions under the Share Disposal Agreement.

The consideration of the Share Disposal was arrived at after arm's length negotiations between the parties, taking into account the contributions to the registered capital of Southern Yinshi and 17 existing Project Companies made by Yijiatong of RMB12,166,000 (equivalent to approximately HK\$13.9 million), which represents the Group's investment costs of (i) 39% interest in the registered capital of Southern Yinshi; and (ii) 36.11% interest in the registered capital of one existing Project Company and 49% interest in the registered capital of each of the 16 existing Project Companies held by Yijiatong.

Conditions precedent

Completion of the Share Disposal Agreement is conditional upon (i) approval of the Share Disposal from the relevant PRC government authorities (if applicable); and (ii) compliance by the Company with all requirements under the Listing Rules, including but not limited to, the approval by the Shareholders at the EGM of the Share Disposal Agreement and the transactions contemplated under the Share Disposal Agreement. If the above conditions have not been fulfilled on or before 31 December 2010 (or such later date as the parties to the Share Disposal Agreement may otherwise agree in writing), the parties may postpone deadline for fulfillment of the above conditions or terminate the Share Disposal Agreement. Upon termination of the Share Disposal Agreement, neither party will have any liability to the other except for antecedent breaches of the agreement.

Reasons for the Share Disposal

The Group is only a minority shareholder of each of Southern Yinshi and the existing Project Companies. Upon completion of the Share Disposal, the Company will cease to have any equity interest in Southern Yinshi and the existing Project Companies. As a result, the Group will not be subject to any potential capital investment requirements of Southern Yinshi and the existing Project Companies. The Group can commit its available resources to the Digital TV Business services that may provide a better financial return to the Group.

Financial Impact of the Share Disposal

As at 30 June 2010, the Group had recognized available-for-sale investments in respect of the Sale Shares of RMB12,166,000, which will be derecognized upon execution of the Share Disposal Agreement. Subject to final audit, no gain or loss will be recorded by the Group from the Share Disposal. The proceeds from the Share Disposal will be used in its development in the Digital TV Business services.

The Novation Agreement

Date : 3 September 2010

Parties : (1) Yijiatong, as assignor
(2) Yinshi Consultant, as assignee

Obligations and rights to be novated

The existing obligations for the provision of multi-media information services based on a cabled digital television network and working capital to Southern Yinshi and the Project Companies in accordance with the Existing Cooperation Agreement, and the Existing Income Sharing Rights, being (i) 80% of the total annual income of Southern Yinshi and the existing Project Companies, after deduction of tax payable and fees payable to the relevant television stations of the municipalities or counties and the amount for the

repayment of loans for the Digital TV Business by Southern Yinshi and the Project Companies, as technical service charges from the year when normal operation of Southern Yinshi and the Project Companies commences to the 8th year; and (ii) a rate to be negotiated and agreed upon between the parties after the 8th year.

Consideration

The consideration for the Novation is RMB108 million (equivalent to approximately HK\$123.6 million), which will be fully satisfied in cash within 5 Business Days from the date the Novation Agreement takes effect.

The consideration for the Novation was arrived at after arm's length negotiations between the parties, taking into account the book cost of RMB108 million (equivalent to approximately HK\$123.6 million) paid by the Group for the acquisition of the Existing Income Sharing Rights under the Existing Cooperation Agreement.

Conditions precedent

Completion of the Novation Agreement is conditional upon compliance by the Company with all requirements under the Listing Rules, including but not limited to, the approval by the Shareholders at the EGM of the Novation Agreement and the transactions contemplated under the Novation Agreement. If the above conditions have not been fulfilled on or before 31 December 2010 (or such later date as the parties to the Novation Agreement may otherwise agree in writing), the Novation Agreement will be terminated and neither party will have any liability to the other except for antecedent breaches of the agreement.

Reasons for the Novation

Only if the rights under the Existing Cooperation Agreement have been novated to Yinshi Consultant, Yinshi Consultant is in a position to negotiate with Southern Yinshi and the Project Companies for replacing the Existing Cooperation Agreement with the Yinshi Operation Agreements under which the New Income Sharing Rights could be obtained. The New Income Sharing Rights would be assigned back to the Group pursuant to the Supplemental Agreement as stipulated under the "New Income Sharing Rights Acquisition" section of this announcement.

Financial Impact of the Novation

As at 30 June 2010, the Group had recognized intangible assets in respect of the rights under the Existing Cooperation Agreement of approximately RMB95,400,000 (being the acquisition cost of approximately RMB108,000,000 less accumulated amortization up to 30 June 2010 of approximately RMB12,600,000), which will be derecognized upon the execution of the Novation Agreement. Subject to final audit, a gain of approximately RMB12,600,000 will be recorded by the Group from the Novation. The proceeds from the Novation will be used in its development in the Digital TV Business services.

NEW INCOME SHARING RIGHTS ACQUISITION

The Supplemental Agreement

Date : 3 September 2010

Parties : (1) Yijiatong, a wholly-owned subsidiary of the Company
(2) Yinshi Consultant

Rights and obligations under the Supplemental Agreement

Pursuant to the Supplemental Agreement, Yinshi Consultant agrees to novate certain rights and obligations under the Yinshi Operation Agreements to Yijiatong and, pursuant to the Yinshi Operation Agreements as supplemented by the Supplemental Agreement, Yijiatong is responsible for providing the Services to Southern Yinshi and the Project Companies and in return Yijiatong will be entitled to the New Income Sharing Rights representing (i) 80% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the Existing Income Sharing Rights, generated by Southern Yinshi and the Project Companies for the first 8 years from the date of the provision of the Services; (ii) 50% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the Existing Income Sharing Rights, generated by Southern Yinshi and the Project Companies for the 9th to the 15th year from the date of the provision of the Services; and (iii) a rate to be negotiated and agreed upon the parties after the 15th year. Save for the provision of the Services and the New Income Sharing Rights, all other rights and obligations under the Yinshi Operation Agreements will remain with Yinshi Consultant. Further details of the Yinshi Operation Agreements are set out in the paragraph headed “The Yinshi Operation Agreements” below.

Consideration

The consideration for the Supplemental Agreement to be paid by Yijiatong is RMB360 million (equivalent to approximately HK\$411.8 million), which will be satisfied in cash in four installments of 30%, 20%, 20% and 30% each within 5 Business Days, 6 months, 12 months and 18 months, respectively, from the date on which the Supplemental Agreement takes effect.

The consideration was arrived at after arm’s length negotiations between the parties, taking into account a number of factors including:

- i. the additional income stream to be derived from the television advertising and other value added services which are not included in the Existing Income Sharing Rights;
- ii. the business prospects of the digital television business in the PRC, particularly the Guangdong Province, as a whole;
- iii. the digital television business of the existing Project Companies in 17 municipalities or counties in the Guangdong Province, with an aggregate of approximately 840,000 household subscribers to the services of the existing Project Companies;
- iv. the potential of new subscribers to the services of the Project Companies, considering the total population of more than 40 million with over 10 million families and an existing cable television customer base of more than 3 million in the region in which Southern Yinshi could develop its business; and
- v. the terms of the Supplemental Agreement.

Conditions precedent

Completion of the Supplemental Agreement is conditional upon compliance by the Company with all requirements under the Listing Rules, including but not limited to, the approval by the Shareholders at the EGM of the Supplemental Agreement and the transactions contemplated thereunder. If the above conditions have not been fulfilled on or before 31 December 2010 (or such later date as the parties to the Supplemental Agreement may otherwise agree in writing), the Supplemental Agreement will be terminated and neither party will have any liability to the other except for antecedent breaches of the agreement.

Completion

Completion of the Supplemental Agreement will take place upon fulfillment of all the conditions precedent described above.

Reasons for entering into of the Supplemental Agreement

By entering into of the Supplemental Agreement, the Group can obtain the New Income Sharing Rights in return for its provision of the Services. The Group anticipates that it can obtain a higher return rate under the New Income Sharing Rights as compared to that under the Existing Income Sharing Rights.

Financial Impact of entering into of the Supplemental Agreement

Subject to final audit, the consideration of HK\$360,000,000 for the Supplemental Agreement will be recognized by the Group as intangible assets, which will be amortized over 20 years.

The Yinshi Operation Agreements

On 3 September 2010, Yinshi Consultant entered into the Yinshi Operation Agreements with Southern Yinshi and the existing Project Companies, respectively, for replacement of the Existing Cooperation Agreement, details of which are set out below.

Date : 3 September 2010

Parties : (1) Yinshi Consultant
(2) Southern Yinshi and each of the existing Project Companies

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, each of Southern Yinshi and the existing Project Companies is a company incorporated in the PRC with limited liability and Southern Yinshi and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Major terms of cooperation : 1. User coverage

- i. Existing and new subscribers of the services of the existing Project Companies that are located in the Existing Counties of a total of about 840,000 subscribers
- ii. New subscribers in areas in which the existing Project Companies already possess cable TV network operating rights
- iii. New subscribers in the Guangdong Province of the Project Companies

2. Responsibilities of the parties

Southern Yinshi

To procure the rights to provide and develop the Digital TV Business services in the Guangdong Province

Existing Project Companies

To provide and develop the Digital TV Business services in the Guangdong Province

Yinshi Consultant

- i. To pay for all capital investment for securing the right to provide the Digital TV Business services by Southern Yinshi and the Project Companies
- ii. To provide the Services required for the provision of the Digital TV Business services by Southern Yinshi and the Project Companies
- iii. To pay for the operating expenses required for the provision of the Digital TV Business services by Southern Yinshi and the Project Companies

3. Term of cooperation

The term of the agreement is indefinite

4. Mode of cooperation

Other than continuing the operations of the existing Project Companies, Southern Yinshi and Yinshi Consultant may also set up local project companies whenever required for the purpose of expanding the Digital TV Business. The new project companies shall be 51% owned by Southern Yinshi and 49% owned by Yinshi Consultant provided that Yinshi Consultant has the right to increase ownership to over 51% subject to compliance with laws and regulations

5. Technical Service Fees

Southern Yinshi and the Project Companies shall pay to Yinshi Consultant technical service fees as follows:

- i. For the first 8 years – 80% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the Existing Income Sharing Rights, generated by Southern Yinshi and the Project Companies
- ii. For the 9th to 15th year – 50% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the Existing Income Sharing Rights, generated by Southern Yinshi and the Project Companies
- iii. After 15th year – to be negotiated between the parties

EQUIPMENT PURCHASE AND CONSTRUCTION

The Entrustment Agreement

Date : 3 September 2010

Parties : (1) Yijiatong, a wholly-owned subsidiary of the Company
(2) Southern Yinshi

Equipment to be purchased and constructed under the Entrustment Agreement

Pursuant to the Yinshi Operation Agreements as supplemented by the Supplemental Agreement, Yijiatong shall provide the Equipment, such as digital television signal receiving systems, set-top boxes and other digital television accessories, to Southern Yinshi and the Project Companies. The equipment under the Entrustment Agreement is the Equipment Yijiatong shall provide to Southern Yinshi and the Project Companies pursuant to the Yinshi Operation Agreements as supplemented by the Supplemental Agreement.

Consideration

No consideration will be paid by Yijiatong to Southern Yinshi provided that Yijiatong shall reimburse Southern Yinshi of all costs for the purchase of the Equipment. Yijiatong will use the Equipment purchased and/or constructed or to be purchased and/or constructed by Southern Yinshi for its provision of Services pursuant to the Yinshi Operation Agreements as supplemented by the Supplemental Agreement. The cap amount to be paid by Yijiatong for the Equipment Purchase and Construction under the Entrustment Agreement is RMB800 million (equivalent to approximately HK\$915.2 million) which is the estimated amount of the costs of the Equipment to be contributed by the Group for its provision of the Services.

An amount of RMB548 million (equivalent to approximately HK\$626.9 million) had been paid by Yijiatong to Southern Yinshi as a refundable deposit for the Equipment for the provision of the Services by the Group in the past, which represents the costs of the Equipment paid by Southern Yinshi and the Project Companies which should have been reimbursed by the Group. Under the Existing Cooperation Agreement, the Group is required to reimburse the costs of the Equipment purchased by Southern Yinshi and the Project Companies. As the title of such equipment has not been defined in the Existing Cooperation Agreement, the Company considers that it is in the interest of the Group to enter into the Entrustment Agreement pursuant to which the title of the Equipment shall vest with the Group and a cap amount has been set for the total amount of the Equipment Purchase and Construction.

The aggregate cost for the Equipment Purchase and Construction was arrived at after arm's length negotiations between the parties, taking into account a number of factors including:

- i. the valuation of the existing Equipment performed by an independent valuer; and
- ii. the expected development of the Digital TV Business services.

Conditions precedent

The validity of the Entrustment Agreement is conditional upon compliance by the Company with all requirements under the Listing Rules, including but not limited to, the approval by the Shareholders at the EGM to approve the Entrustment Agreement and the transactions contemplated under the Entrustment Agreement. If the above conditions have not been fulfilled on or before 31 December 2010 (or such later date as the parties to the Entrustment Agreement may otherwise agree in writing), the Entrustment Agreement shall be terminated and neither party shall have any liability to the other except for antecedent breaches of the agreement.

The Entrustment Agreement shall become legally binding upon fulfillment of all the conditions precedent described above.

Reasons for the Equipment Purchase and Construction

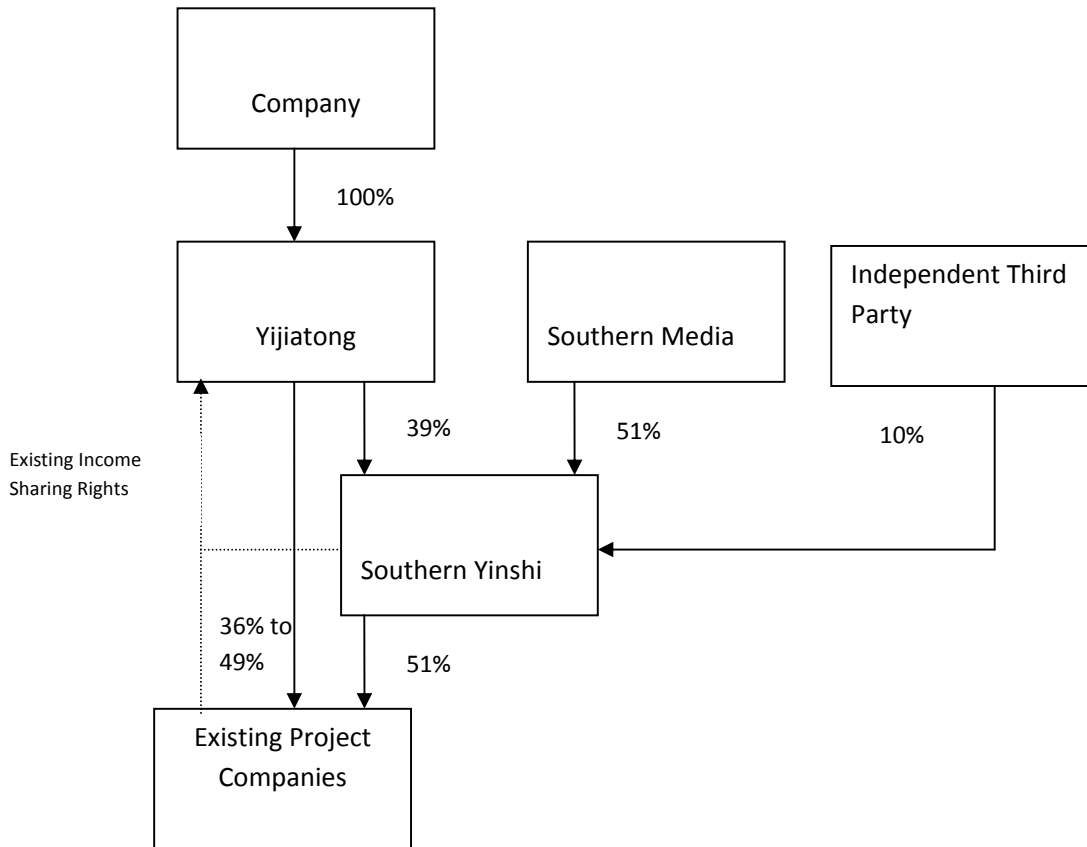
Given that Southern Yinshi will be the ultimate end user of the Equipment, the Group considers that it could facilitate matters if Southern Yinshi would carry out the Equipment Purchase and Construction for Yijiatong in fulfilling its provision of the Services as the Equipment can meet the requirements of Southern Yinshi. Under the Entrustment Agreement, Yijiatong has entrusted Southern Yinshi to carry out the Equipment Purchase and Construction under the monitor and supervision of Yijiatong.

Financial Impact of the Equipment Purchase and Construction

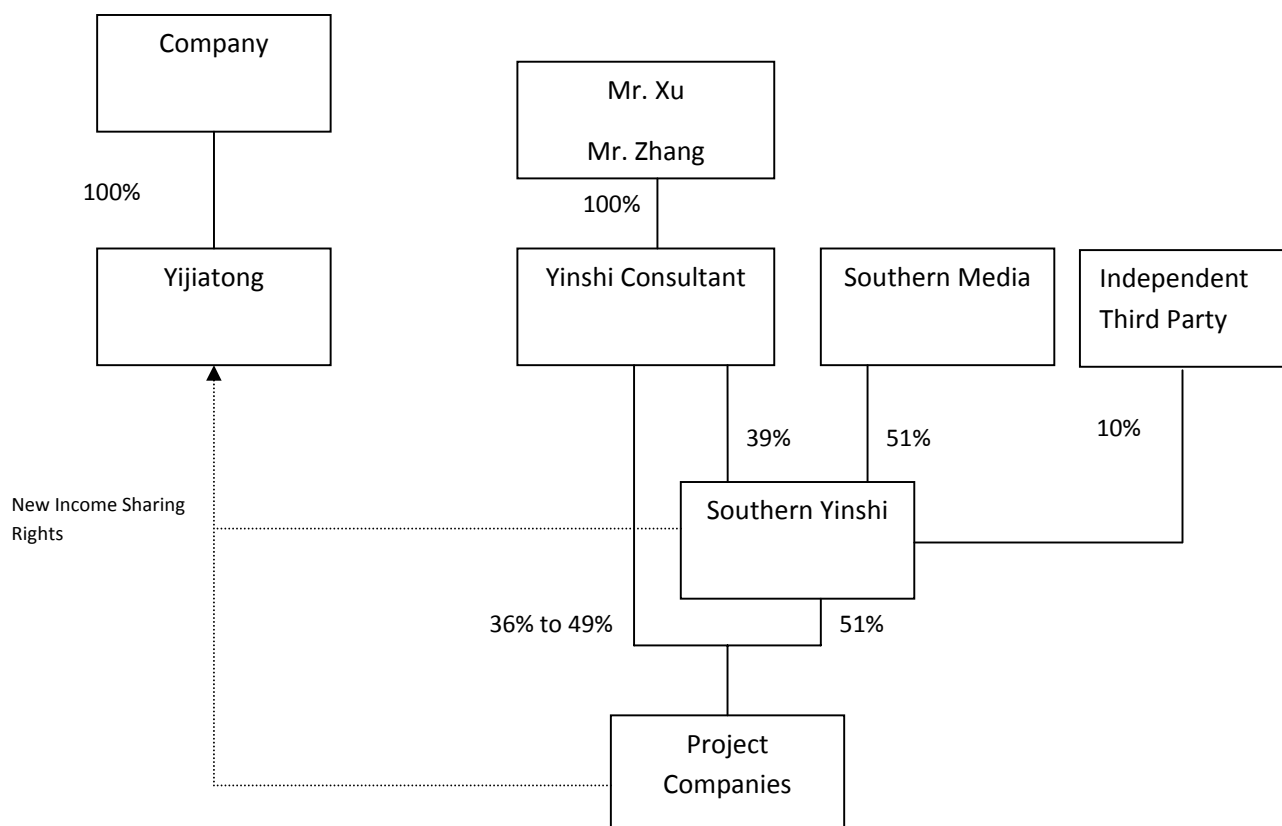
Subject to final audit, the consideration paid for the Equipment Purchase and Construction pursuant to the Entrustment Agreement will be recognized by the Group as fixed assets, which will be depreciated over the respective useful life of such fixed assets.

INFORMATION OF SOUTHERN YINSHI

Set out below is the existing structure of the Group's investment in Southern Yinshi and the existing Project Companies as at the date of this announcement.



Set out below is the structure of the Group's Digital TV Business services immediately upon completion of the Transactions.



Southern Media is the first provincial-wide media group in the PRC which was established in January 2004 serving in the Guangdong Province. Its members consist of 廣東人民廣播電台 (Radio Guangdong), 廣東電視台 (Guangdong Television), 南方電視台 (Southern Television), 廣東省廣播電視技術中心 (Guangdong Broadcasting Television Technical Centre) and 廣東有線廣播電視網絡股份有限公司 (Guangdong Cable Television Company Limited), 19 television stations at local municipality level and 76 television stations at county level. Southern Yinshi, a subsidiary of Southern Media, is engaged in carrying out conversion in entirety to cabled digital television amongst members of the Southern Media group. Through Southern Yinshi's 51% interest in each of the Project Companies, Southern Yinshi serves the existing and new cable TV network subscribers that are located in the Existing Counties, namely Yangjiang, Yangchun, Yangxi, Hailing Island, Luoding, Yunan, Longchuan, Heping, Lianping, Xinfeng, Huilai, Deqing, Fengkai, Lianjiang, Suixi, Xuwen and Lianzhou. The number of cable TV network household subscribers of the Existing Project Companies is approximately 840,000. The average annual subscription fees of the subscribers for the services of the existing Project Companies for the year ended 31 December 2009 was approximately RMB180 per subscriber. The Existing Income Sharing Rights obtained, and the New Income Sharing Rights to be obtained by the Group represent the costs and expenses for the Digital TV Business carried out by Southern Yinshi and the Project Companies.

Set out below is the unaudited financial information of Southern Yinshi and the existing Project Companies related to the digital television operations for the two years ended 31 December 2009:

	Year ended 31 December 2008	Year ended 31 December 2009
	HK\$' 000	HK\$' 000
Revenue	88,000	106,664
Profit before and after taxation	62,334	84,408

Although the Group currently holds (i) 39% interest in the registered capital of Southern Yinshi; and (ii) 36.11% interest in the registered capital of one existing Project Company and 49% interest in the registered capital in each of the 16 existing Project Companies, such interests are recognized by the Group as available-for-sale investments. Acting as equipment and technical services provider to Southern Yinshi and the existing Project Companies, the Group, pursuant to the Existing Income Sharing Rights under the Existing Cooperation Agreement, is entitled to receive 80% of the total annual income of Southern Yinshi and the existing Project Companies, after deduction of tax payable and fees payable to the relevant television stations of the municipalities or counties, and the amount for the repayment of loans, as technical service charges. Set out below are the aggregate amount of assets, liabilities, revenue and profit recognized from Southern Yinshi and the existing Project Companies for the digital television operations of the Group in the Company's audited consolidated financial statements as extracted from the Company's annual report for the year ended 31 December 2009.

	Year ended 31 December 2008	Year ended 31 December 2009
	HK\$' 000	HK\$' 000
Assets	116,813	110,851
Liabilities	-	-
Revenue	70,400	85,331
Profit before and after taxation	49,867	67,526

The unaudited net assets value recognized from Southern Yinshi and the existing Project Companies for the digital television operations of the Group in the Company's consolidated financial statements as at 30 June 2010 is approximately HK\$108 million.

REASONS FOR THE TRANSACTIONS

The Company is an investment holding company and its subsidiaries are principally engaged in the business of provision of digital television technical solutions and sale of equipment, development and provision of system integration solutions, and system design and sale of system hardware.

The Group, pursuant to the Existing Cooperation Agreement, began to be engaged in the Digital TV Business services since 2008. The Company provides equipment and technical services to Southern Yinshi and the existing Project Companies, including the provision of technical solutions and equipment such as set-top boxes. In return, the Company is entitled to receive 80% of the total annual income of Southern Yinshi and the existing Project Companies, after deduction of tax payable and fees payable to the relevant television stations of the municipalities or counties, and the amount for the repayment of loans, as technical service charges. In 2009, the Group received an operating income in the form of technical service fee from the existing Project Companies amounting to approximately HK\$85.3 million. Considering the total population of more than 40 million with over 10 million families and an existing cable television customer base of more than 3 million in the region in which Southern Yinshi could develop its business, the Board considers that there is huge market potential for the digital television technology and value added services in the region in which Southern Yinshi could develop its business.

Believing in the good prospects of the Digital TV Business in the Guangdong Province which can generate a rewarding return, the Company is committed to devoting more resources and effort in developing and expanding the Digital TV Business services. Therefore, the Group decided the Reorganization as stated in the paragraph headed “Introduction” above. The table below sets out the key differences between the Existing Cooperation Agreement and the Yinshi Operation Agreements as supplemented by the Supplemental Agreement:

	Existing Cooperation Agreement	Yinshi Operation Agreements as supplemented by the Supplemental Agreement
Technical service fee income	<p><u>1st to 8th year:</u> 80% of income generated from Southern Yinshi and the existing Project Companies</p> <p><u>9th year and thereafter:</u> Subject to negotiation between the parties</p>	<p><u>1st to 8th year:</u> 80% of income generated from Southern Yinshi and the Project Companies</p> <p><u>9th to 15th year:</u> 50% of income generated from Southern Yinshi and the Project Companies</p> <p><u>16th year and thereafter:</u> Subject to negotiation between the parties</p>
Scope of income of which the calculation of technical service fee is based on	Subscription income from TV users after deduction of tax payable and fees payable by the relevant television stations to municipalities or countries and the amount for the repayment of loan for the Digital TV Business by Southern Yinshi and the Project Companies	Subscription income from TV users, income from television advertising and other value added services
Obligations of the Group	<ul style="list-style-type: none"> - Provision of the Equipment and technical services - Provision of funding for construction and working capital for the Digital TV business to Southern Yinshi and the Project Companies - Provision of registered capital in the Project Companies 	<ul style="list-style-type: none"> - Provision of the Equipment and technical services

By virtue of the Reorganization, the Group could obtain the New Income Sharing Rights which is anticipated to offer a better financial return to the Group than the Existing Income Sharing Rights. Besides, as a result of the Reorganization, the Group can streamline its operations in the Digital TV Business services and will act solely as equipment and technical services provider. The Group will no longer be required to provide funding to Southern Yinshi and/or the Project Companies other than that for the purchase and construction of the Equipment.

After taking into consideration of the above, the Directors (excluding the independent non-executive Directors who will express their opinions on the Disposal Agreements and the Supplemental Agreement to be included in the circular after taking into account of the advice from the Independent Financial Adviser) consider that the Agreements were entered into in the ordinary course of business and on normal commercial terms and that the terms of each of the Agreements are reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 75%, the Share Disposal and the Novation in aggregate constitute a major transaction under the Listing Rules. In addition, as at the date of this announcement, Yinshi Consultant is held as to 70% and 30% by Mr. Xu and Mr. Zhang, respectively. Since Mr. Xu and Mr. Zhang are former directors of a subsidiary of the Company, Yinshi Consultant is considered to be an associate of a connected person of the Company and the Share Disposal and the Novation in aggregate will constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Since the applicable ratios in relation to the Share Disposal and the Novation in aggregate are over 5%, the Share Disposal and the Novation in aggregate is subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules. Accordingly, the Company will seek the Independent Shareholders' approval at the EGM for the transactions contemplated under the Share Disposal Agreement and the Novation Agreement.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the New Income Sharing Rights Acquisition constitutes a major transaction under the Listing Rules. In addition, as at the date of this announcement, Yinshi Consultant is held as to 70% and 30% by Mr. Xu and Mr. Zhang, respectively. Since Mr. Xu and Mr. Zhang are former directors of a subsidiary of the Company, Yinshi Consultant is considered to be an associate of a connected person of the Company and the New Income Sharing Rights Acquisition will constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Since the applicable ratios in relation to the New Income Sharing Rights Acquisition are over 5%, the New Income Sharing Rights Acquisition is subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules. Accordingly, the Company will seek the Independent Shareholders' approval at the EGM for the transactions contemplated under the Supplemental Agreement.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the Equipment Purchase and Construction constitutes a major transaction under the Listing Rules and is subject to approval by the Shareholders at the EGM.

The Share Disposal, the Novation and the New Income Sharing Rights Acquisition will be put forward to the Independent Shareholders to approve as one resolution while the Entrustment Agreement will be put forward the Shareholders to approve as another resolution. As such, each of the Share Disposal, the Novation and the New Income Sharing Rights Acquisition will be inter-conditional to each other. The Entrustment Agreement is not inter-conditional to any other Agreements.

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Share Disposal, the Novation and the New Income Sharing Rights Acquisition and an independent financial adviser will be appointed to advise the independent board committee on the terms of such transactions.

A circular containing, among others, (i) details of the Share Disposal, the Novation, the New Income Sharing Rights Acquisition and the Equipment Purchase and Construction; (ii) the recommendation of the Independent Board Committee regarding the Share Disposal, the Novation and the New Income Sharing Rights Acquisition to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on the Share Disposal, the Novation and the New Income Sharing Rights Acquisition; and (iv) a notice of the EGM is expected to be despatched to the Shareholders by or around 15 October 2010 as more time is required to prepare all necessary information to be included in the circular of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“Agreements”	the Supplemental Agreement, the Entrustment Agreement and the Disposal Agreements
“associate”	has the meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“Company”	Shougang Concord Technology Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to in under the Listing Rules
“Digital TV Business”	the business of provision of the multi-media information services based on a cabled digital television network in the Guangdong Province, the PRC
“Directors”	the directors of the Company
“Disposal Agreements”	the Share Disposal Agreement and the Novation Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving the Transactions contemplated under the Supplemental Agreement, the Entrustment Agreement and the Disposal Agreements
“Entrustment Agreement”	the agreement dated 3 September 2010 entered into between Yijiatong and Southern Yinshi in respect of the Equipment Purchase and Construction
“Equipment”	the equipment in respect of the digital television business services
“Equipment Purchase and Construction”	the purchase and construction of the Equipment by Southern Yinshi pursuant to the Entrustment Agreement

“Existing Cooperation Agreement”	the cooperation agreement dated 10 March 2008 entered into between the Company and Southern Yinshi in relation to the Digital TV Business services
“Existing Counties”	the 17 municipalities or counties in the Guangdong Province, namely Yangjiang, Yangchun, Yangxi, Hailing Island, Luoding, Yunan, Longchuan, Heping, Lianping, Xinfeng, Huilai, Deqing, Fengkai, Lianjiang, Suixi, Xuwen and Lianzhou, which are being served by the existing Project Companies
“Existing Income Sharing Rights”	the existing income sharing rights pursuant to the Existing Cooperation Agreement, being (i) 80% of the total income for the year of Southern Yinshi and the existing Project Companies, after deduction for various items of tax payable and fees payable to the relevant television stations of the municipalities or counties and the amount for the repayment of loans for the Digital TV Business by Southern Yinshi and the Project Companies, as technical service charges from the year when normal operation of Southern Yinshi and the Project Companies commences to the 8 th year; and (ii) a rate to be negotiated and agreed upon between the parties after 8 th year
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board to be established for the purpose of advising the Independent Shareholders on the Share Disposal, the assignment of Existing Income Sharing Rights pursuant to the Novation Agreement, the New Income Sharing Rights Acquisition, the members of which include all the independent non-executive Directors, namely Mr. Wong Kun Kim, Mr. Leung Kai Cheung and Mr. Wong Wai Kwan
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Board and approved by the Independent Board Committee
“Independent Shareholders”	the Shareholders other than Mr. Xu and Mr. Zhang and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Income Sharing Rights”	the entitlement to (i) 80% of the total after-business-tax income, including income from television advertising and other value added services which are not included in the Existing Income Sharing Rights, generated by the Southern Yinshi and the Project Companies for the first 8 years from the commencement date of the provision of the Services; (ii) 50% of the total after-business-tax income, including income from television advertising and other value added services not included in the Existing Income Sharing Rights, generated by Southern Yinshi and the Project Companies for the 9 th to the 15 th year from the commencement date of the provision of the Services; and (iii) a rate to be negotiated and agreed upon between the parties after the 15 th year
“New Income Sharing Rights Acquisition”	the transaction contemplated under the Supplemental Agreement in respect of the New Income Sharing Rights
“Novation”	the novation of all rights and obligations under the Existing Cooperation Agreement by Yijiatong to Yinshi Consultant pursuant to the Novation Agreement
“Novation Agreement”	the agreement dated 3 September 2010 entered into between Yijiatong and Yinshi Consultant in respect of the Novation
“PRC”	the Peoples’ Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Project Companies”	the existing project companies established and new project companies to be established by Yinshi Consultant and Southern Yinshi to provide Digital TV Business services in the Guangdong Province pursuant to the Yinshi Operation Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 49% of the issued share capital of Southern Yinshi and the 49% or 36.11% of the issued share capital of the existing Project Companies currently held by Yijiatong
“Services”	the Equipment and technical services in relation to the Digital TV Business

“Share Disposal”	the disposal of the Sale Shares by Yijiatong to Yinshi Consultant pursuant to the Share Disposal Agreement
“Share Disposal Agreement”	the agreement dated 3 September 2010 entered into between Yijiatong and Yinshi Consultant in respect of the Share Disposal
“Shareholders”	holder(s) of the Share(s)
“Southern Media”	南方廣播影視傳媒集團 (Southern Media Corporation), a company incorporated in the PRC
“Southern Yinshi”	廣東南方銀視網絡傳媒有限公司(Guangdong Southern Yinshi Network Media Company Limited), a company incorporated in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement dated 3 September 2010 entered into between Yijiatong and Yinshi Consultant which supplement the Existing Cooperation Agreement and in relation to the New Income Sharing Rights Acquisition
“Transactions”	the New Income Sharing Rights Acquisition pursuant to the Supplemental Agreement, the Equipment Purchase and Construction pursuant to the Entrustment Agreement, and the Share Disposal and the Novation pursuant to the Disposal Agreements
“Yijiatong”	廣州市易家通互動信息發展有限公司(Guangzhou Yijiatong Interactive Information Development Company Limited), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“Yinshi Consultant”	廣州市銀視信息諮詢有限公司(Guangzhou Yinshi Consultant Company Limited), a company incorporated in the PRC, which is held as to 70% by Mr. Xu and 30% by Mr. Zhang
“Yinshi Operation Agreements”	the 18 operation agreements all dated 3 September 2010 entered into between Yinshi Consultant and Southern Yinshi and the existing Project Companies in relation to the development of the Digital TV Business in the Guangdong Province

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ as follows:

RMB 1 = HK\$1.144

No representation is made that any amount in HK\$ could have been or could be converted at the above rate or at any other rates or at all.

Certain English translation of Chinese names or words in this announcement are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

By Order of the Board
首長科技集團有限公司
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED
Chau Chit
Managing Director

Hong Kong, 3 September 2010

As at the date of this announcement, the board of directors of the Company 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).