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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of Shougang Concord Technology Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 with comparative figures for the year ended 31 December 2006. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue		**678,819**	624,388
Cost of sales		**(674,675)**	(623,556)
Gross profit		**4,144**	832
Other income		**9,775**	20,896
Fair value changes on investment properties		**1,542**	564
Selling and distribution costs		**(19,773)**	(17,036)
Administrative expenses		**(95,354)**	(82,765)
Gain on partial disposal of a subsidiary	5	**125,942**	–
Gain on deemed partial disposal of an associate	6	**64,246**	–
Gain on disposal of an associate		**183**	–
Share of results of associates		**15,552**	17,780
Share of results of jointly controlled entities		**4,804**	5,592
Finance costs	7	**(20,472)**	(19,901)
Profit (loss) before tax		**90,589**	(74,038)
Income tax (expense) credit	8	**(3,498)**	534
Profit (loss) for the year	9	**87,091**	(73,504)
Attributable to:			
Equity holders of the Company		**78,759**	(81,509)
Minority interests		**8,332**	8,005
		87,091	(73,504)
Earnings (loss) per share	10		
Basic		**4.46 HK cents**	(5.12 HKcents)
Diluted		**4.31 HK cents**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investment properties		**11,092**	9,550
Property, plant and equipment		**246,690**	265,094
Prepaid lease payments		**9,386**	9,779
Goodwill		**222,842**	138,144
Intangible assets		**3,075**	3,250
Investments in associates		**151,969**	68,684
Investments in jointly controlled entities		**185,692**	178,639
Available–for–sales investments		**14,514**	6,250
Club debentures		**630**	445
Deferred tax assets		**3,010**	2,147
		848,900	681,982
CURRENT ASSETS			
Prepaid lease payments		**393**	393
Inventories		**127,599**	106,545
Trade and bills receivables	*11*	**182,202**	189,951
Prepayments, deposits and other receivables		**173,273**	74,579
Amounts due from customers for contract works		**168,581**	157,599
Tax recoverable		**17**	126
Pledged bank deposits		**35,982**	20,049
Time deposits		**80,000**	–
Bank balances and cash		**55,190**	37,214
		823,237	586,456
CURRENT LIABILITIES			
Trade and bills payables	*12*	**187,068**	137,942
Other payables, deposits received and accruals		**96,262**	79,172
Amount due to customers for contract work		**38,059**	19,445
Amount due to a related company		**–**	143,483
Amount due to a jointly controlled entity		**10,126**	7,471
Tax liabilities		**7,374**	9,192
Bank borrowings – due within one year		**197,214**	134,905
Obligations under finance leases – due within one year		**12,442**	22,446
Bank overdrafts		**–**	6,283
		548,545	560,339
NET CURRENT ASSETS		**274,692**	26,117
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,123,592**	708,099
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**162,683**	23,698
Obligations under finance leases – due after one year		**17,770**	6,859
Deferred tax liabilities		**160**	150
		180,613	30,707
NET ASSETS		**942,979**	677,392
CAPITAL AND RESERVES			
Share capital		**471,947**	428,867
Reserves		**393,480**	189,783
Equity attributable to equity holders of the Company		**865,427**	618,650
Minority interests		**77,552**	58,742
TOTAL EQUITY		**942,979**	677,392

Notes:

1. GENERAL

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

The consolidated financial statements are presented in Hong Kong dollars, which is the same as functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties which are measured at fair values.

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

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

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the financial year of the Group and the Company beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group and the Company have not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) – Int 12	Service Concession Arrangements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the impact of the new or revised standards and interpretations on the results and the financial position of the Group.

4. SEGMENTAL INFORMATION

(a) Business segments

For management purposes, the Group is currently organised into six operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

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

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

Photomask business – Manufacture of photomasks.

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.

Inter–segment sales are charged at prevailing market prices.

Segment information about these businesses is presented below:

For the year ended 31 December 2007

	Traditional business HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Photomask business HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
REVENUE								
External sales	279,289	1,980	61,529	46,461	280,410	9,150	–	678,819
Inter–segment sales	623	–	4	–	–	9,235	(9,862)	–
Total revenue	279,912	1,980	61,533	46,461	280,410	18,385	(9,862)	678,819
RESULT								
Segment results	(5,557)	(2,137)	(554)	(64,214)	16,770	(25,285)	–	(80,977)
Unallocated corporate expenses								(24,608)
Unallocated corporate income								5,919
Gain on partial disposal of a subsidiary		125,942						125,942
Gain on deemed partial disposal of an associate		64,246						64,246
Gain on disposal of an associate					183			183
Share of results of associates		15,585			(33)			15,552
Share of results of jointly controlled entities					(1,972)	6,776		4,804
Finance costs								(20,472)
Profit before tax								90,589
Income tax expense								(3,498)
Profit for the year								87,091
BALANCE SHEET								
Segment assets	146,604	16,736	32,315	166,687	619,988	162,803		1,145,133
Investments in associates		149,379			2,590			151,969
Investments in jointly controlled entities					470	185,222		185,692
Unallocated corporate assets								189,343
Consolidated total assets								1,672,137
Segment liabilities	94,254	4,703	19,444	18,948	186,463	7,703		331,515
Unallocated corporate liabilities								397,643
Consolidated total liabilities								729,158
OTHER INFORMATION								
Capital expenditure by the Group	2,063	–	246	38,939	5,460	2,137	–	48,845
Capital expenditure through acquisition of subsidiaries	–	–	–	–	84,698	555	–	85,253
Depreciation of property, plant and equipment	7,218	2,970	2,022	49,419	2,015	4,401	–	68,045
Amortisation of intangible assets	–	–	–	–	295	–	–	295
Gain on disposal of property, plant and equipment	–	–	(3)	–	(93)	–	–	(96)
Impairment loss recognised on trade receivables	4,078	–	–	464	620	–	–	5,162
Impairment loss recognised (reversed) on inventories	8,987	(2,178)	–	930	(363)	263	–	7,639

For the year ended 31 December 2006

	Traditional business HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Photomask business HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
REVENUE								
External sales	297,173	24,453	64,065	42,542	187,718	8,437	–	624,388
Inter–segment sales	34,609	–	–	–	–	25,626	(60,235)	–
Total revenue	331,782	24,453	64,065	42,542	187,718	34,063	(60,235)	624,388
RESULTS								
Segment results	(7,543)	(19,414)	(3,286)	(65,660)	27,780	(2,563)	(221)	(70,907)
Unallocated corporate expenses								(11,097)
Unallocated corporate income								4,495
Share of results of associates		17,863			(83)			17,780
Share of results of jointly controlled entities					(10,429)	16,021		5,592
Finance costs								(19,901)
Loss before tax								(74,038)
Income tax credit								534
Loss for the year								(73,504)
BALANCE SHEET								
Segment assets	177,954	27,196	41,248	179,102	452,175	77,209		954,884
Investments in associates		66,315			2,369			68,684
Investments in jointly controlled entities					2,445	176,194		178,639
Unallocated corporate assets								66,231
Consolidated total assets								1,268,438
Segment liabilities	80,997	9,420	20,763	24,375	104,913	147,045		387,513
Unallocated corporate liabilities								203,533
Consolidated total liabilities								591,046
OTHER INFORMATION								
Capital expenditure by the Group	4,840	689	837	5,049	1,218	2,296	–	14,929
Capital expenditure through acquisition of subsidiaries	–	–	–	–	152,441	–	–	152,441
Depreciation of property, plant and equipment	9,051	3,285	2,024	48,676	1,764	3,884	–	68,684
Amortisation of intangible assets	–	–	–	–	1,049	–	–	1,049
Loss (gain) on disposal of property, plant and equipment	555	–	–	–	(184)	(159)	–	212
Gain on disposal of assets classified as held for sale	–	–	–	–	–	5,867	–	5,867
Impairment loss recognised on trade receivables	2,311	–	–	428	181	–	–	2,920
Impairment loss recognised on inventories	–	–	–	600	–	–	–	600
Impairment loss recognised on intangible assets	–	–	–	–	950	–	–	950

5. GAIN ON PARTIAL DISPOSAL OF A SUBSIDIARY

On 11 July 2007, the Group through a wholly–owned subsidiary, entered into a share transfer agreement (the "Agreement") with an independent third party (the "Purchaser") to sell 40% shares of Printronics Electronics Limited, a company which held the approximately 21.01% equity interest in Tianjin Printronics Circuit Corporation ("TPC"), to the Purchaser at a consideration of approximately HK$181,806,000 and the Group recorded a gain of approximately HK$125,942,000. Upon the completion of the Agreement on 18 July 2007, the Group has an effective interest of approximately 12.6% in TPC.

6. GAIN ON DEEMED PARTIAL DISPOSAL OF AN ASSOCIATE

On 23 April 2007, TPC issued 50 million new shares at a price of RMB8.28 per share by way of an initial public offering on a fully underwritten basis. It was listed on Shenzhen Stock Exchange during the year. A gain on dilution of interest of approximately HK$64,246,000 resulted from the change of equity interest held by the Group from approximately 28.17% to 21.01%.

7. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**12,573**	10,900
Finance leases	**1,512**	2,984
Amounts due to related companies	**6,387**	6,017
	20,472	19,901

8. INCOME TAX EXPENSE (CREDIT)

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**1,037**	634
Other regions in the People's Republic of China (the "PRC")	**4,805**	3,077
	5,842	3,711
Overprovision in prior years:		
Hong Kong	**(1,491)**	(295)
Change in tax rate (note)	**–**	(1,627)
	4,351	1,789
Deferred tax	**(853)**	(2,323)
	3,498	(534)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Certain subsidiaries operating in PRC are qualified as advanced technology enterprises and operate in one of the approved high and new technology industrial development zones of PRC and are thus subject to preferential tax rates of 15% to 16.5%.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations would impose a single tax rate of 25% for all the enterprises from 1 January 2008. However, as certain subsidiaries operating in the PRC are still qualified as advanced technology enterprises till 2008 thus still subject to preferential tax rates of 15% to 16.5%. The directors of the Company are of the opinion that if these subsidiaries are able to obtain qualification of advanced technology enterprise, then these enterprises will still able to enjoy the preferential tax rate of 15% to 16.5% from 2009 onwards. Deferred tax balance is calculated using tax rates that have been enacted or substantially enacted when the liability is settled or the asset is realised.

Note: During the year ended 31 December 2006, one of the subsidiaries of the Company was designated as one of the Most Outstanding Software Enterprises of year 2005 as defined by the National Development Bureau of the PRC and was subject to corporate income tax rate of 10% for the year ended 31 December 2005, being a preferential tax rate applicable to the Most Outstanding Software Enterprises. This resulted in a tax refund of approximately HK$1,627,000.

9. PROFIT (LOSS) FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**110,210**	97,177
– Retirement benefit scheme contributions	**3,458**	4,346
Total staff costs	**113,668**	101,523
Amortisation of intangible assets (included in administrative expenses)	**295**	1,049
Auditors' remuneration	**2,670**	2,158
Cost of inventories recognised as expenses	**614,787**	585,486
Depreciation of property, plant and equipment	**68,045**	68,684
(Gain) loss on disposal of property, plant and equipment	**(96)**	212
Impairment loss (reversed) recognised on club debentures	**(185)**	115
Impairment loss recognised on trade receivables	**5,162**	2,920
Impairment loss recognised on amounts due from customers for contract work	**2,801**	–
Impairment loss recognised on intangible assets	**–**	950
Impairment loss recognised on inventories	**7,639**	600
Net foreign exchange losses	**6,802**	1,834
Release of prepaid lease payments to consolidated income statement	**393**	393
Research and development costs (included in administrative expenses)	**824**	137
Share of tax of associates (included in share of results of associates)	**2,223**	2,194
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**51**	93

10. EARNINGS (LOSS) PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the year attributable to equity holders of the Company)	**78,759**	(81,509)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**1,765,735**	1,590,910
Effect of dilutive potential ordinary shares:		
– share options	**60,786**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,826,521**	1,590,910

11. TRADE AND BILLS RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade and bills receivables	**238,462**	241,049
Less: allowance for doubtful debts	**(56,260)**	(51,098)
	182,202	189,951

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 days to 180 days of issuance, except for certain well established customers, where the terms are extended to one year. Each customer has a designated credit limit.

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

	2007	2006
	HK$'000	*HK$'000*
0-90 days	**136,933**	129,495
91-180 days	**22,545**	43,453
181-365 days	**15,555**	12,879
1-2 years	**7,165**	3,872
Over 2 years	**4**	252
	182,202	189,951

12. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables at the balance sheet date, based on the invoice date, is as follows:

	2007	2006
	HK$'000	*HK$'000*
0-90 days	**106,848**	88,442
91-180 days	**56,590**	29,828
181-365 days	**10,935**	11,446
1-2 years	**9,807**	5,765
Over 2 years	**2,888**	2,461
	187,068	137,942

13. POST BALANCE SHEET EVENTS

(a) On 15 January 2008, the Company entered into a letter of intent for the establishment of a joint venture in the PRC which will be principally engaged in the development and manufacturing of photomasks. The Company will also transfer its existing machinery and equipment for the production of photomasks to the joint venture for a consideration of approximately US$83.25 million. No formal agreements have been entered into up to the date of this announcement and the directors are not yet in a position to estimate the financial effect of the transactions.

(b) On 22 January 2008, 174,600,000 share options were granted to directors, employees and other eligible participants of the Company and vested immediately. The exercise period of the share options is ten years from 22 January 2008 to 21 January 2018 and exercise price was HK$0.78 per share.

(c) On 10 March 2008, the Company entered into a cooperation agreement with 廣東南方銀視網絡傳媒有限公司 (Guangdong Southern Yinshi Network Media Company Limited) ("Southern Yinshi") for the establishment of an operational platform in Guangdong Province for the provision of multi-media information services based on a cabled digital television network.

Pursuant to the cooperation agreement, the Company will provide technical services to Southern Yinshi and the local project companies, including technical solution and equipment. When digitisation of local cabled television officially starts and for a period from the year when normal operation of the local project companies commences to the eighth year, 80% of the total income for the year after deduction for various items of tax payable and fees payable to the relevant television stations of the municipalities or counties and for repayment of loans will be paid to the Company as technical service charges.

Details of the cooperation agreement was set out in the Company's announcement dated 10 March 2008.

(d) On 3 April 2008, the Company entered into conditional subscription agreements with three parties ("the Subscribers"), under which the Company agreed to issue, and the Subscribers agreed to subscribe for, convertible notes with an aggregate principal amount of HK$385,000,000 (the "Convertible Notes"). The Convertible Notes, bearing interest at 3% per annum with maturity period of 3 years from the date of the first issue of the Convertible Notes can be converted into the Company's shares at a conversion price of HK$1.1 per share (subject to adjustment). Details of the transactions were set out in the Company's announcement dated 3 April 2008.

As at the date of this announcement, the condition for the subscription agreements has been satisfied and the completion will take place on 17 April 2008 in accordance with the subscription agreements.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover of the Group grew to HK$678,000,000 for the year ended 31 December 2007, representing an increase of 8.7% over the same period of the previous year. The increase was mainly attributable to the contribution of turnover amounting to approximately HK$280,000,000 by Sino Stride Technology (Holdings) Limited ("SST") acquired by the Group in April 2006.

The Group reported a profit attributable to shareholders of HK$78,759,000 for the year of 2007, while a loss of HK$81,509,000 was posted for the same period of the previous year.

System integration solution services

Upon the consolidation of SST into the Group's operating results for the year ended 31 December 2007, the turnover and operating profits amounted to HK$280,410,000 (2006: HK$187,718,000) and HK$16,770,000 (2006: HK$27,780,000) respectively. The increase in the turnover was mainly attributable to the consolidation of whole year results of SST for 2007 while only nine months results of SST were consolidated for the same period of the previous year.

The Group increased its interests in SST again to 99.7% by the issuance of new shares in 2007. As a leading provider of system integration solutions, SST will generate substantial earnings, further expand business and improve profits for the Group in the future, given the rising demand for system integration solutions in China.

Photomasks

The segment strives to secure orders from customers and improve cost effectiveness. Its turnover increased from HK$42,542,000 in 2006 to HK$46,461,000 in 2007, while loss decreased from HK$65,660,000 to HK$64,214,000, suggesting that the Group's strategy to position itself as a manufacturer of high–end photomask products that applies core technology to the manufacture of quality photomasks, and its ongoing marketing efforts to this end have taken effect.

Traditional business

Traditional business comprises the trading and manufacturing of telephone accessories, power cords, adaptors and electronic products. Its turnover slightly fell by 6% to HK$279,289,000 (2006: HK$297,173,000), while loss attributable to the Group decreased by 26% to HK$5,557,000 (2006: HK$7,543,000).

The success in relocating the logistics and control centres of the traditional business from Hong Kong to the factory sites in Dongguan in 2007 has enabled the Group to run the operational system of the traditional business under the same roof for easy management and streamlining the structure. The Group believes the results of the conventional manufacturing segment may be improved in the future.

Printed circuit boards

Since the segment has been reporting losses due to the intense competition in the printed circuit boards sector and the increased costs of raw materials, the Group has switched the operational pattern of this segment from carrying out the production of printed circuit boards by itself to subleasing its factory buildings and assets. The Group will re–assess the potential of the printed circuit boards sector. As a result of the revised operational pattern, the segment reported a turnover of approximately HK$1,980,000 (i.e. the income from subleasing) (2006: the turnover of printed circuit boards manufacturing was HK$24,453,000), while operating loss attributable to the Group decreased sharply from HK$19,414,000 to HK$2,137,000 in 2007.

High–precision metal components

Sales from the segment slightly decreased by 4.4% to HK$61,259,000 (2006: HK$64,065,000) while segment loss decreased to HK$554,000 (2006: HK$3,286,000).

Jointly controlled entity – copper wire

The global copper prices fell back in the first quarter of 2007, picked up again from the second quarter to the third quarter and started falling back in the fourth quarter.

Sales from the jointly controlled entity engaged in the copper wire manufacturing increased by 17%. Profit attributable to the Group fell from approximately HK$16,021,000 in 2006 to approximately HK$6,776,000 in 2007. The fall in the profit was largely a result of copper prices falling back in the beginning of the year.

Associate – Tianjin Printronics Circuit Corporation ("TPC")

Turnover of TPC increased by 26% to HK$431,880,000 and profits attributable to the Group amounted to approximately HK$15,585,000 (2006: HK$17,863,000).

TPC announced on 23 April 2007 the issuance of 50,000,000 new shares at a price of Renminbi 8.28 per share by way of an initial public offering, and as a result the Group's interests in TPC were diluted from approximately 28.17% to approximately 21.01% so that a gain on dilution of interest of approximately HK$64,000,000 were reported. Trading in the shares of TPC commenced on the Shenzhen Stock Exchange on 16 May 2007. The total market capitalization of the 41,319,704 shares of TPC owned by the Group was approximately Renminbi 666,000,000 as at 31 December 2007.

In July 2007, the Group disposed of its 40% interests in Printronics Electronics Limited (which owns 21.01% interests in TPC) to an independent third party, and received a consideration of approximately HK$180,000,000 and gain of approximately HK$120,000,000 was resulted from the disposal.

The Group will keep a close watch on any changes in the market and consider the disposal of the remaining interests if a reasonable return is available.

PROSPECTS

The Group believes its profits and cash flows could be improved by reorganising the operational structure of the traditional business and increasing its interests in SST.

Moreover, the Group intends to establish a joint venture in China in 2008, which will be principally engaged in the research and development and manufacturing of photomasks. The Group intends to transfer to the joint venture the existing machinery and equipment for the production of photomasks for a consideration of approximately US$83,250,000. The Group believes that the introduction of massive capital resources and advanced technology support from overseas investors can help enhance the efficiency and technology for the production of photomasks, and that the formation of the joint venture in China can reduce production costs and broaden profit margin and has a positive effect on stepping up its presence in the photomasks sector in China.

The Group will also participate in the establishment of an operational platform for the provision of multi–media information services based on a digital cable television network in China. A cooperation agreement has been entered into with Guangdong Southern Yinshi Network Media Company Limited ("Southern Yinshi"), pursuant to which local digital television project companies (collectively the "local project companies") will be set up in various local cities, counties (municipalities) and regions. Southern Yinshi will assign to the local project companies all the long–term authorised rights to use, operate and administer, as well as the authorised right to receive income from, cable television networks in various local cities, counties (municipalities) and regions. As a technical service provider and equipment supplier, the Group will provide technical services to Southern Yinshi and the local project companies, including technical solutions and equipment such as set top box.

The Group believes as analogue signal broadcasting will all be phased out and replaced by digital broadcasting in China by 2015, the digital television business will grow rapidly in China, and will become one of the principal activities of the Group generating substantial income and return.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group's gearing ratio (total borrowings divided by equity) increased to 0.41 (2006: 0.29) whereas current ratio (current assets divided by current liabilities) increased to 1.5 (2006: 1.05).

As at 31 December 2007, bank loans increased by approximately HK$201,294,000 to HK$359,897,000 (2006: HK$158,603,000).

As at 31 December 2007, the capital commitments already signed up but not yet provided for as well as already authorised but not yet signed up by the Group amounted to approximately HK$3,572,000 (2006: HK$1,310,000) and HK$2,080,000 (2006: HK$920,000) respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Exposure to fluctuation in exchange rates did not have any material effect on the Group's financial results as both the Group's borrowings and revenue were mostly denominated in Hong Kong Dollars or United States Dollars.

CAPITAL STRUCTURE

During the year, certain eligible directors and employees exercised their share options to subscribe for a total of 38,794,000 shares. Moreover, 133,523,480 new shares were issued to acquire additional interests in SST. Details of movements in the issued ordinary share capital and share options are set out in notes 37 and 38 to the financial statements.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than the deemed partial disposal in TPC, partial disposal of 40% shares in Printronics Electronics Limited and acquisition of additional interest in SST as detailed above, the Group had no material acquisition, disposals and significant investment during the year ended 31 December 2007.

CONTINGENT LIABILITIES

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, increased from approximately HK$67,278,000 in 2006 to approximately 77,927,000 as at 31 December 2007. In addition, one of the subsidiaries, SST has provided a cross guarantee of approximately 58,300,000 (2006: HK$9,000,000) for credit facilities granted to third parties.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of approximately 2,638 employees as at 31 December 2007.

The remuneration policy of the Group is to ensure that the overall remunerations are fair and competitive in order to motivate and retain existing employees and at the same time to attract prospective employees. The remuneration policy has been formulated after having taken into account local practices in various geographical locations in which the Group and its associates are operating. These remuneration packages comprise basic salaries, allowances, retirement schemes, service bonuses, fixed bonuses, performance–based incentives and share options, where appropriate.

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 year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2007, except for the following deviation:–

– Under code provision A.4.1 of the Code, Non-executive directors should be appointed for a specific term and subject to re-election.

  None of the existing Non-executive Directors of the Company was appointed for a specific term. However, Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings at least once every three years in accordance with the provisions of the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the Code. In order to comply with the code provision A.4.1 of the Code, an engagement letter has been entered with each of the Non-executive Directors of the Company for a term of three years commencing on 1 January 2008.

Details of the Company's compliance with the provisions of the Code during the year together with the above deviation will be set out in the Corporate Governance Report in the Company's 2007 annual report.

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 year.

By order of the Board
Cao Zhong
Chairman

Hong Kong, 16 April 2008

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Chau Chit (Managing Director), Mr. Tzu San Te (Executive Director), Mr. Chen Jianyong (Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Chen Jang Fung (Non-executive Director), Mr. Chan Wah Tip, Michael (Non-executive Director), Mr. Lee Fook Sun (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).