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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 with comparative figures for the year ended 31 December 2007. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	4	**943,022**	678,819
Cost of sales		**(761,842)**	(674,675)
Gross profit		**181,180**	4,144
Other income		**19,974**	9,775
Other expenses	5	**(29,766)**	(15,589)
Fair value changes on investment properties		**(635)**	1,542
Decrease in fair value of held for trading investments		**(20,432)**	–
Gain on disposal of available-for-sale investments		**15,051**	–
Selling and distribution costs		**(17,495)**	(19,773)
Administrative expenses		**(106,736)**	(79,765)
Gain on deemed disposal of a subsidiary		**1,308**	–
Gain on partial disposal of a subsidiary		**–**	125,942
Gain on deemed partial disposal of an associate		**–**	64,246
Gain on disposal of an associate		**–**	183
Share of results of associates		**7,100**	15,552
Share of results of jointly controlled entities		**(27,325)**	4,804
Finance costs	6	**(46,874)**	(20,472)
(Loss) profit before tax		**(24,650)**	90,589
Income tax expense	7	**(961)**	(3,498)
(Loss) profit for the year	8	**(25,611)**	87,091
Attributable to:			
Equity holders of the Company		**(30,745)**	78,759
Minority interests		**5,134**	8,332
		(25,611)	87,091
(Loss) earnings per share	9		
Basic		**(1.60) HK cents**	4.46 HK cents
Diluted		**N/A**	4.31 HK cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Investment properties		**10,508**	11,092
Property, plant and equipment		**226,324**	246,690
Prepaid lease payments		**8,993**	9,386
Goodwill		**235,364**	222,842
Intangible assets		**119,734**	3,075
Deposit paid for acquisition of intangible assets		**105,903**	–
Investments in associates		**6,122**	151,969
Investments in jointly controlled entities		**151,742**	185,692
Available-for-sale investments		**15,974**	14,514
Club debentures		**630**	630
Deferred tax assets		**4,313**	3,010
		885,607	848,900
Current assets			
Prepaid lease payments		**393**	393
Inventories		**150,553**	127,599
Trade and bills receivables	10	**368,980**	182,202
Prepayments, deposits and other receivables		**120,237**	173,273
Held for trading investments		**14,219**	–
Available-for-sale investments		**116,221**	–
Amounts due from customers for contract work		**188,518**	168,581
Amount due from an associate		**47**	–
Amount due from a jointly controlled entity		**1,824**	–
Tax recoverable		**17**	17
Pledged bank deposits		**18,075**	35,982
Time deposits		**–**	80,000
Bank balances and cash		**155,979**	55,190
		1,135,063	823,237

	NOTES	**2008**	2007
		HK$'000	*HK$'000*
Current liabilities			
Trade and bills payables	11	**199,234**	187,068
Other payables, deposits received and accruals		**103,343**	96,262
Amounts due to customers for contract work		**24,544**	38,059
Amount due to a jointly controlled entity		**–**	10,126
Loan from a related company		**20,038**	–
Tax liabilities		**5,930**	7,374
Bank borrowings – due within one year		**285,415**	197,214
Obligations under finance leases – due within one year		**6,072**	12,442
		644,576	548,545
Net current assets		**490,487**	274,692
Total assets less current liabilities		**1,376,094**	1,123,592
Non-current liabilities			
Bank borrowings – due after one year		**1,803**	162,683
Convertible loan notes	12	**319,656**	–
Obligations under finance leases – due after one year		**11,736**	17,770
Deferred tax liabilities		**13,413**	160
		346,608	180,613
Net assets		**1,029,486**	942,979
Capital and reserves			
Share capital		**477,607**	471,947
Reserves		**534,598**	393,480
Equity attributable to equity holders of the Company		**1,012,205**	865,427
Minority interests		**17,281**	77,552
Total equity		**1,029,486**	942,979

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.

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

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

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

2. BASIS OF PREPARATION

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

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

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

In the current year, the Group and the Company have applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendment)	Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfer on or after 1 July 2009
7 Effective for annual periods ending on or after 30 June 2009

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

The application of HKAS 23 (Revised) Borrowing Costs which is effective for period beginning on or after 1 January 2009 eliminates the option to expense all borrowing costs when incurred.

The application of HK(IFRIC) – Int 17 Distribution of Non-cash Assets to Owners which effective for period beginning on or after 1 July 2009 stated that the Group shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

The directors of the Company are in the process of assessing the impact of the new and revised standards, amendments and interpretations on the results and the financial position of the Group and the Company.

4. SEGMENTAL INFORMATION

(a) Business segments

During the year, the Group substantially reduced its activities in traditional business with manufacturing factories located in the PRC for Hon Kong market and customers, and photomask business in Hong Kong, but increase its activity in DTV in the PRC. As a result, a new business segment of DTV technical solutions and equipments was engaged by the Group during the year.

For management purposes, the Group is currently organised into seven (2007: six) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

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

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

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

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 2008

	DTV technical solutions and equipment business*	Traditional business#	Printed circuit boards	High precision metal components	Photomask business	Intelligent information business	Others	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	379,841	209,489	860	46,962	37,987	266,706	1,177	–	943,022
Inter-segment sales	–	–	–	–	–	–	441	(441)	–
Total	379,841	209,489	860	46,962	37,987	266,706	1,618	(441)	943,022
RESULT									
Segment results	171,354	(34,322)	(2,196)	1,507	(69,089)	24,176	(21,342)	–	70,088
Unallocated corporate expenses									(30,295)
Unallocated corporate income									6,729
Decrease in fair value of held for trading investments									(20,432)
Gain on disposal of available-for–sale investments									15,051
Gain on deemed disposal of a subsidiary						1,308			1,308
Share of results of associates			7,592			(492)			7,100
Share of results of jointly controlled entities							(27,325)		(27,325)
Finance costs									(46,874)
Loss before tax									(24,650)
Income tax expense									(961)
Loss for the year									(25,611)

	DTV technical solutions and equipment business* HK$'000	Traditional business# HK$'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
BALANCE SHEET									
Segment assets	553,938	155,907	13,947	19,343	110,866	649,089	34,288		1,537,378
Investments in associates						6,122			6,122
Investments in jointly controlled entities							151,742		151,742
Unallocated corporate assets									325,428
Consolidated total assets									2,020,670
Segment liabilities	72,500	41,366	13,882	9,997	21,136	163,513	24,765		347,159
Unallocated corporate liabilities									644,025
Consolidated total liabilities									991,184
OTHER INFORMATION									
Capital expenditure by the Group	168,652	890	–	102	2,507	1,806	482	–	174,439
Depreciation of property, plant and equipment	611	7,898	2,500	1,660	51,249	1,865	2,410	–	68,193
Amortisation of intangible assets	5,080	–	–	–	–	296	–	–	5,376
Loss (gain) on disposal of property, plant and equipment	–	2	–	–	–	347	(187)	–	162
Impairment loss recognised on trade receivables	–	9,749	–	800	439	2,716	–	–	13,704
Impairment loss recognised on amounts due from customers for contract work	–	–	–	–	–	6,589	–	–	6,589
Impairment loss recognised on inventories	–	16	–	–	726	–	–	–	742
Impairment loss recognised in respect of property, plant and equipment	–	4,245	–	–	–	–	–	–	4,245
Written off of inventories	–	12,444	–	–	–	–	–	–	12,444
Fair value changes on investment properties	–	–	–	–	–	–	635	–	635
Release of prepaid lease payment	–	393	–	–	–	–	–	–	393
Share-based payment expenses	–	–	–	–	–	–	30,295	–	30,295

* DTV technical solutions and equipment business is a new business engaged by the Group during the year.

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

For the year ended 31 December 2007

	Traditional business	Printed circuit boards	High precision metal components	Photomask business	Intelligent information business	Others	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	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

	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
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 a subsidiary	–	–	–	–	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
Fair value changes on investment properties	–	–	–	–	–	(1,542)	–	(1,542)
Release of prepaid lease payment	393	–	–	–	–	–	–	393
Share-based payment expenses	–	–	–	–	–	11,194	–	11,194

5. OTHER EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Impairment loss recognised on trade receivables	**13,704**	5,162
Impairment loss recognised on amounts due from customers for contract work	**6,589**	2,801
Impairment loss recognised in respect of property plant and equipment	**4,245**	–
Net foreign exchange losses	**321**	6,802
Research and development costs	**4,907**	824
	29,766	15,589

6. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**19,532**	12,573
Convertible loan notes	**24,623**	–
Finance leases	**2,030**	1,512
Loan from a related company	**689**	6,387
	46,874	20,472

7. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**2,411**	1,037
Other regions in the PRC	**1,303**	4,805
	3,714	5,842
Overprovision in prior years:		
Hong Kong	**(1,114)**	(1,491)
	2,600	4,351
Deferred tax		
Current year	**(1,897)**	(853)
Attributable to a change in tax rate	**258**	–
	(1,639)	(853)
	961	3,498

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, with effect from 1 January 2008, the statutory rate of the Group's subsidiaries in the PRC shall be 25% (2007: 33%), whilst some of the subsidiaries would be entitled to reduced tax rate or grandfather the previous tax holiday as appropriate until its expiry.

A major operating subsidiary in the PRC is qualified as High and New Technology Enterprises for year 2008 and could be entitled to a preferential income tax rate of 15% (2007: 16.5%) for 3 consecutive years from 2008 onwards.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rate should progress from 15% to 18%, 20%, 22%, 24% and 25% for the financial years 31 December 2008, 2009, 2010, 2011 and 2012 respectively.

8. (LOSS) PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**94,489**	110,210
– Retirement benefit scheme contributions	**3,850**	3,458
Total staff costs	**98,339**	113,668
Amortisation of intangible assets (included in cost of sales)	**5,376**	295
Auditor's remuneration	**3,191**	2,670
Cost of inventories recognised as expenses	**632,405**	614,787
Depreciation of property, plant and equipment	**68,193**	68,045
Loss (gain) on disposal of property, plant and equipment (included in administrative expenses)	**162**	(96)
Impairment loss reversed on club debentures (included in administrative expenses)	**–**	(185)
Impairment loss recognised on inventories (included in cost of sales)	**742**	7,639
Written off of inventories (included in cost of sales)	**12,444**	–
Release of prepaid lease payments to consolidated income statement	**393**	393
Share of tax of associates (included in share of results of associates)	**1,335**	2,223
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**–**	51

9. (LOSS) EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
(Loss) Earnings		
(Loss) Earnings for the purposes of basic and diluted earnings per share ((Loss) profit for the year attributable to equity holders of the Company)	**(30,745)**	78,759
	HK$'000	*HK$'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,919,378**	1,765,735
Effect of dilutive potential ordinary shares:		
– share options		60,786
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share		1,826,521

No diluted loss per share has been calculated for the year ended 31 December 2008 as (i) the conversion of the Company's outstanding convertible loan notes could result in a decrease in the loss per share and (ii) the share option granted by the Company is anti-dilutive, as the exercise price of these share options is higher than the average market price of the Company's shares.

10. TRADE AND BILLS RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bills receivables	**436,292**	238,462
Less: allowance for doubtful debts	**(67,312)**	(56,260)
	368,980	182,202

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

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

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**286,245**	136,933
91 – 180 days	**59,587**	22,545
181 – 365 days	**16,988**	15,555
1 – 2 years	**3,758**	7,165
Over 2 years	**2,402**	4
	368,980	182,202

11. TRADE AND BILLS PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**87,906**	106,848
91 – 180 days	**92,100**	56,590
181 – 365 days	**9,343**	10,935
1 – 2 years	**5,199**	9,807
Over 2 years	**4,686**	2,888
	199,234	187,068

12. CONVERTIBLE LOAN NOTES

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

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

The Company has the compulsory conversion option to convert the Convertible Notes at any time prior to the Maturity Date, if 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 day's 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 conversion shares. Since the issue date and up to the date of this announcement, no Convertible Notes was converted into shares of the Company.

The Convertible Notes contain two components, liability and equity components. Based on the relevant requirements of HKAS 32 "Financial Instruments: Presentation", the Convertible Notes are separated between the liability and equity. The equity component is presented in equity heading "Convertible loan notes equity reserve". The effective interest rate of the liability component is 11.64%. The fair value of Convertible Notes on initial recognition is determined with reference to a valuation report carried out by independent and recognised international business valuers.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2008
	HK$'000
Issued during the year	**302,644**
Exchange differences arising from translation of functional currency to presentation currency	**554**
Interest charge	**24,623**
Interest paid	**(8,165)**
Carrying amount at the end of the year	**319,656**

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the economy condition in Hong Kong has been dampened by the global financial crisis resulting from the sub-prime crisis in the second half year. The global financial crisis continues to pose uncertainties to the future economy of Hong Kong. Under the circumstances, the operation environment of the Group has experienced huge challenge especially during the second half of the year under review.

The core businesses of the Group operates mainly in the China. Among them, digital cable television business and the intelligent information business could make a profit contribution to the Group during the year under review. However, due to the losses recorded in other businesses of the Group, including traditional business (the production of telephone accessories, power cords, adaptors and electronic products), photomask business and a jointly controlled entity engaged in copper wire manufacturing, the Group recorded a loss attributable to equity holders of the Company of HK$30,745,000 during the year under review. The basic loss per share for the year 2008 is HK1.6 cents. The Group reported a consolidated turnover of HK$943,022,000 for the year, representing an increase of 38.9% over last year.

Digital Television Business

The digital cable television business of the Group is mainly engaged in the provision of digital television equipment in the PRC and technical solutions for digital television to digital cable television operators in Guangdong province. The overall switch to digital cable television nationwide will be one of the major infrastructure projects in the PRC. In addition to funding support, the PRC government shows its support for the industry by issuing an official document "Policies to Foster Development in the Digital Television Industry (關於鼓勵數字電視產業發展的若干政策)" on 1 January 2008, which encourages the overall switch to digital cable television nationwide. On 18 February 2009, the State also issued the "Adjustment and Stimulus Plans for Electronics and Information Industry (電子信息產業調整振興規劃)" which clearly proposes to make digital television promotion one of the six major projects of the stimulus plans for electronics and information industry.

The Group collaborates with Guangdong Southern Yinshi Network Media Company Limited (hereinafter abbreviated as "Southern Yinshi") to develop and operate an operational platform for the provision of multi-media information services based on a digital television network in China since March 2008. The Group acts as a technical service provider and equipment supplier with respect to digital television and is principally engaged in the provision of technical solutions and digital television equipment.

As at 31 December 2008, the Group has, together with Southern Yinshi, already set up 15 local digital television operating companies (hereinafter abbreviated as the "local operating companies") in Guangdong Province. Southern Yinshi has also, through various local operating companies, successfully entered into agreements with relevant local television stations and established an operational platform with approximately 1,200,000 users of cable television.

During the year under review, the Group has, pursuant to the cooperative agreement it entered into with Southern Yinshi, received an operating income of technical service fees from local operating companies of approximately RMB64,000,000 (approximately HK$70,400,000). During the year under review, the Group recorded turnover of approximately HK$309,441,000 for provision and manufacturing of digital television equipment and the digital television business contributed approximately HK$171,000,000 profit to the Group.

System Integration Solution Business

During the year under review, the system integration solution services has continued to generate considerable and stable returns for the Group. The turnover and operating profits of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as "SST") during 2008 amounted to HK$266,706,000 (2007: HK$280,410,000) and HK$24,176,000 (2007: HK$16,770,000) respectively.

As a leading provider of system integration solutions, it is anticipated that SST will continue to generate earning and profit for the Group in future.

Photomasks

The turnover from photomasks decreased from HK$46,461,000 in 2007 to HK$37,987,000 in 2008, while loss increased from HK$64,214,000 to HK$69,089,000 for the year. The increase in loss was mainly attributable to the depreciation in the value of fixed assets.

Traditional business

Traditional business comprises the trading and manufacturing of telephone accessories, power cords, adaptors and electronic products. The turnover of traditional business fell by 25% to HK$209,489,000 (2007: HK$279,289,000), while loss attributable to the Group significantly increased to HK$34,322,000 (2007: HK$5,557,000). The increase in loss was mainly attributable to the rising labor cost and raw material prices during the year under review. Moreover, the appreciation of Renminbi has adversely affected the production costs of traditional business. The global financial crisis has also pressurized the sales of traditional business in the second half year. At the same time, there had been a number of floods in Dongguan, China in June 2008, which had damaged part of the Group's assets, including machinery and inventory during the year under review. Up to the date of this announcement, the management is still negotiating with the insurance company with respect to the claims made by the Group.

Jointly controlled entity – copper wire

Having affected by the global financial crisis, the global copper prices continued to drop significantly in the second half of 2008. The sales from the jointly controlled entity engaged in the copper wire manufacturing decreased by 32%, and there was an unrealised loss arising from difference between the purchase price of the inventory and the existing commodity prices. Consequently, loss of approximately HK$27,325,000 (2007: profit of approximately HK$6,776,000) was shared by the Group in 2008.

OTHER INVESTMENTS

The Group held 60% interests in Printronics Electronics Limited (hereinafter abbreviated as "Printronics Electronics") which is an investment holding company. The sole investment of Printronics Electronics is its interests in Tianjin Printronics Circuit Corporation ("TPC") which shares are listed on Shenzhen Stock Exchange and is principally engaged in the manufacture of printed circuit boards in the PRC. On 30 September 2008, Printronics Electronics paid a special dividend which was satisfied by way of a distribution in specie of its 51,649,630 shares of TPC, being all the shareholding in TPC held by Printronics Electronics. As disclosed in the Company's 2007 annual report, it has been the intention of the Group to divest in its non-core businesses. The Group has disposed 10,000,000 shares of TPC during the year.

PROSPECT

It is expected that the recession of global economy will continue in the first half of 2009. An economic recovery is subject to the successful implementation of macro-economic policies to tackle the financial crisis and the recovery pace of the global industry and commerce. Under such turbulent market and economy condition, it is foreseeable that the operation environment of the companies in Hong Kong and China will face great challenges in the coming year.

Looking forward, we believe that the financial storm and its effects will finally pass. We remain optimistic about the economy of China (including Hong Kong). We believe that with the State's strong foreign reserve, solid economic base and well-planned macro-economic policies, China will be able to tide over the storm and prosper well. As the principal market of the Group is mainland China, we believe the Group can keep pace with China to survive the financial storm.

In the short term, the Group will make investment in the digital cable television business in China in a stable manner. In the long run, the Group will expand its digital cable television business to other provinces in China. The Group is well positioned to benefit from the future nationwide switch to digital cable television in the PRC.

The Group intends to establish a joint venture in China, which will be a base for technology development and manufacturing of photomasks. The Group believes that strategic partners will provide with not only massive capital resources but also advanced technology support. With scale of production and improved efficiency and technology, the formation of the joint venture in China can reduce production costs and enhance profit margin. It is also a good chance for the Group to step up its presence in the photomasks sector in China.

The Group expects that it can deliver more fruitful returns to its shareholders by reforming its principal business, divesting its non-core or non-profitable businesses, introducing strategic partners to its business and reinforcing the internal control and operational system of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's gearing ratio (total borrowings divided by equity) increased to 0.61 (31 December 2007: 0.41) whereas current ratio (current assets divided by current liabilities) increased to 1.8 (31 December 2007: 1.5).

As at 31 December 2008, bank loans decreased by approximately HK$72,679,000 to HK$287,218,000 (31 December 2007: HK$359,897,000).

As at 31 December 2008, there was no capital commitments signed up but not yet provided for nor authorised but not yet signed up by the Group and its jointly controlled entities.

In addition, during the period under review, the Group had issued convertible notes due on 2011 that can be converted to ordinary shares of the Company in the aggregate principal amount of HK$385,000,000.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's trading and transactions were mostly denominated in Hong Kong Dollars, RMB and United States Dollars. Its exposure to the risk in United States Dollars was only to a small extent as Hong Kong Dollars are pegged to United States Dollars. However, the operation and performance of the Group might be affected by the increased volatility of RMB in the sense that the fluctuation in the exchange rate of RMB to Hong Kong Dollars might affect the Group's operating results. The Group will review its foreign exchange exposure regularly and might consider adopting financial instruments for hedging purpose at appropriate times.

CAPITAL STRUCTURE

During the year, certain eligible directors and employees had exercised their share options to subscribe for a total of 64,132,190 shares and the Group also had repurchased 41,492,000 shares through the Stock Exchange of Hong Kong Limited during the year under review.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than those disclosed in the paragraph of Business Review above, the Group had no material acquisition, disposals and significant investment during the year ended 2008.

CONTINGENT LIABILITIES

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, decreased from approximately HK$77,927,000 in 2007 to approximately HK$18,037,000 as at 31 December 2008. In addition, one of the subsidiaries, SST has provided a cross guarantee of approximately HK$50,850,000 (2007: HK$58,300,000) for credit facilities granted to third parties.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of approximately 1,495 employees as at 31 December 2008.

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.

LITIGATION

In December 2008, San Tai Industrial Enterprise Ltd ("Santai"), a subsidiary of the Company, was served with an order (the "Order") issued by the Court of First Instance of the Hong Kong Special Administrative Region to enforce an arbitration award (the "Award") obtained against Santai in Denmark for breach of a referral agreement entered into between Santai and Mercodan A/S ("Mercodan"), a Danish public limited company, on 17 February 2004.

The Award was made on 12 September 2008 in favour of Mercodan against Santai in the sum of US$3,000,000 plus interest and legal costs.

On 16 January 2009, an application was made by Santai to the High Court to set aside the Order. Directions have been given for the exchange of evidence and a hearing date has been fixed for 30 April 2009.

The substantive hearing is yet to be held. As Santai is of net liabilities, the settlement of the claims by Santai is considered not probable. The Executive Committee is of the opinion that it is premature to estimate the likely financial impact on the Group. As such, no provision for any potential liability has been made in the consolidated financial statements during the year under review.

POST BALANCE SHEET EVENTS

Subsequent to 31 December 2008, the Group has disposed of an aggregate number of 20,745,148 shares of TPC at total consideration of approximately HK$123,000,000. The gain on disposal of TPC shares is approximately HK$33,644,000.

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

During the year, the Company repurchased a total of 41,492,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$29,569,850. The repurchases were made with a view to enhance shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration (expenses excluded)
		HK$	*HK$*	*HK$*
August 2008	28,452,000	0.800	0.696	22,315,240
September 2008	11,948,000	0.610	0.435	6,767,460
October 2008	1,092,000	0.485	0.400	487,150
	41,492,000			29,569,850

All of the shares repurchased were cancelled during the year.

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

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 2008. Details of the Company's compliance with the provisions of the Code during the year will be set out in the Corporate Governance Report in the Company's 2008 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, 9 April 2009

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. Mung Kin Keung (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), Mr. James Alan Chiddix (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).