首 長 科 技 集 團 有 限 公 司

SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Technology Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	NOTES	Six months ended 30 June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Continuing operations			
Revenue	3	**174,461**	396,362
Cost of sales		**(142,634)**	(261,276)
Gross profit		**31,827**	135,086
Other income		**24,182**	5,355
Increase in fair value of held for trading investments		**4,902**	–
Gain on disposal of held for trading investments		**8,957**	–
Gain on disposal of available-for-sale investments		**34,295**	–
Selling and distribution costs		**(5,603)**	(7,155)
Administrative expenses		**(31,412)**	(72,040)
Other expenses		**(9,305)**	–
Share of (loss) profit of associates		**(1,025)**	5,220
Share of (loss) profit of jointly controlled entities		**(3,541)**	16,168
Gain on deemed disposal of a subsidiary		**–**	1,308
Gain on disposal of a subsidiary		**1,903**	–
Gain on fair value change of the derivative components of convertible loan notes		**7,207**	–
Finance costs	4	**(25,702)**	(17,899)
Profit before tax		**36,685**	66,043
Income tax credit (expense)	5	**2,390**	(3,088)
Profit for the period from continuing operations		**39,075**	62,955
Discontinued operation			
Profit (loss) for the period from discontinued operation		**169,808**	(35,088)
Profit for the period	6	**208,883**	27,867
Other comprehensive income			
Share of translation reserves of associates		**27**	10,478
Share of translation reserves of jointly controlled entities		**–**	3,167
Exchange difference arising on translation		**597**	20,876
Fair value gain on available-for-sale investments		**16,176**	–
Reclassification adjustment:			
Transfer to profit or loss on sale of available-for-sale investments		**(64,500)**	–
Other comprehensive income for the period		**(47,700)**	34,521
Total comprehensive income for the period		**161,183**	62,388

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**208,297**	24,404
Minority interests		**586**	3,463
		208,883	27,867
Total comprehensive income attributable to:			
Owners of the Company		**160,945**	54,648
Minority interests		**238**	7,740
		161,183	62,388
Earnings per share	7		
From continuing and discontinued operations			
Basic		**HK10.17 cents**	HK1.27 cents
Diluted		**HK8.92 cents**	HK1.23 cents
From continuing operations			
Basic		**HK1.88 cents**	HK3.10 cents
Diluted		**N/A**	HK3.01 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	NOTES	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		**10,508**	10,508
Property, plant and equipment		**116,086**	226,324
Prepaid lease payments		**7,652**	8,993
Goodwill		**235,470**	235,364
Other receivable		**108,339**	–
Intangible assets		**120,689**	119,734
Deposit paid for acquisition of intangible assets		**233,338**	105,903
Investments in associates		**5,124**	6,122
Investments in jointly controlled entities		**–**	151,742
Available-for-sale investments		**17,403**	15,974
Club debentures		**700**	630
Deferred tax assets		**4,313**	4,313
		859,622	885,607
CURRENT ASSETS			
Prepaid lease payments		**360**	393
Inventories		**138,363**	150,553
Trade and bills receivables	8	**286,468**	368,980
Prepayments, deposits and other receivables		**395,458**	120,237
Available-for-sale investments		**–**	116,221
Amounts due from customers for contract work		**173,960**	188,518
Amount due from an associate		**47**	47
Amount due from a jointly controlled entity		**1,780**	1,824
Held for trading investments		**11,312**	14,219
Tax recoverable		**17**	17
Pledged bank deposits		**9,717**	18,075
Bank balances and cash		**402,280**	155,979
		1,419,762	1,135,063
Non-current assets classified as held for sale		**148,201**	–
		1,567,963	1,135,063

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2009

	NOTES	**30 June 2009** *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
CURRENT LIABILITIES			
Trade and bills payables	9	**107,749**	199,234
Other payables, deposits received and accruals		**89,988**	103,343
Provision		**50,000**	–
Amounts due to customers for contract work		**27,085**	24,544
Loan from a related company		**–**	20,038
Tax liabilities		**5,748**	5,930
Bank borrowings – due within one year		**138,255**	285,415
Obligations under finance leases – due within one year		**187**	6,072
		419,012	644,576
NET CURRENT ASSETS		**1,148,951**	490,487
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,008,573**	1,376,094
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**283,859**	1,803
Obligations under finance leases – due after one year		**–**	11,736
Convertible loan notes	10	**374,300**	319,656
Embedded derivative components of convertible loan notes	10	**67,984**	–
Deferred tax liabilities		**9,164**	13,413
		735,307	346,608
NET ASSETS		**1,273,266**	1,029,486
CAPITAL AND RESERVES			
Share capital		**535,535**	477,607
Reserves		**728,160**	534,598
Equity attributable to owners of the Company		**1,263,695**	1,012,205
Minority interests		**9,571**	17,281
TOTAL EQUITY		**1,273,266**	1,029,486

Notes:

1. **BASIS OF PREPARATION**

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

In June 2008, the Company has changed its functional currency from Hong Kong dollars to Renminbi as the Group substantially reduced its activity in traditional business with manufacturing factories located in the People's Republic of China (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 investments in subsidiaries whose operations are primarily in the PRC.

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

2. **PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except as described below.

Financial instruments

Convertible loan notes that contain liability component and derivative components

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

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

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

Jointly controlled entities are accounted for using the equity method

The results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (see accounting policy on non-current assets held for sale below). The results and assets and liabilities of jointly controlled entities using the method of equity method of accounting will be ceased upon the reclassification of jointly controlled entities into non-current assets held for sale.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amounts and fair value less costs to sell.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). HKAS 23 (Revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying assets. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. The application of HK(IFRIC) Int 17 Distribution of Non-cash Assets to Owners which is effective for annual period beginning on or after 1 July 2009 require the Group to account for the measurement of a liability to distribute non-cash assets as a dividend to its owners at fair value of assets to be distributed. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the executive director of the Group, in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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

DTV technical solutions and equipment business	–	Manufacture and sales of DTV equipment and provision of DTV technical services.
Traditional business	–	Manufacture and distribution of telephone accessories, power cords and adaptors.
Printed circuit boards	–	Manufacture and distribution of printed circuit boards.
High precision metal components	–	Manufacture and distribution of high precision metal components.
Intelligent information business	–	Development and provision of system integration solutions, system design and sale of system hardware.
Others	–	Provision of management services and leasing of investment properties.

In prior years, the Group was involved in the photomask operation, which was reported as a separate segment under HKAS 14. That operation was discontinued with effect from 11 June 2009. For HKFRS 8 purposes, the photomask operation is included in the photomask business operating segment. The comparative figures have been re-presented to classify the photomask operation as a discontinued operation for the period ended 30 June 2008.

The following is an analysis of the Group's revenue and results by operating segments for the periods under review:

Six months ended 30 June 2009 (unaudited)

	Continuing operations								Discontinued operation	
	Digital technical solutions and equipment business *HK$'000*	**Traditional business** *HK$'000*	**Printed circuit boards** *HK$'000*	**High precision metal components** *HK$'000*	**Intelligent information business** *HK$'000*	**Others** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*	**Photomask business** *HK$'000*	**Consolidated** *HK$'000*
REVENUE										
External sales	57,681	27,345	–	9,694	79,666	75	–	174,461	8,687	183,148
Inter-segment sales	2,316	188	–	–	–	–	(2,504)	–	–	–
Total	59,997	27,533	–	9,694	79,666	75	(2,504)	174,461	8,687	183,148
RESULT										
Segment results	33,948	(28,282)	538	1,217	9,517	(454)		16,484	(35,360)	(18,876)
Unallocated corporate income								6,645	–	6,645
Unallocated corporate expense								(13,440)	–	(13,440)
Increase in fair value of held for trading investments								4,902	–	4,902
Gain on disposal of held for trading investments								8,957	–	8,957
Gain on disposal of available-for-sale investments								34,295	–	34,295
Gain on disposal of subsidiaries								1,903	206,904	208,807
Gain on fair value change of the derivative components of convertible loan notes								7,207	–	7,207
Share of loss of associates								(1,025)	–	(1,025)
Share of loss of jointly controlled entities								(3,541)	–	(3,541)
Finance costs								(25,702)	(1,736)	(27,438)
Profit before tax								36,685	169,808	206,493

Six months ended 30 June 2008 (unaudited)

	Continuing operations								Discontinued operation	
	Digital technical solutions and equipment business *HK$'000*	Traditional business *HK$'000*	Printed circuit boards *HK$'000*	High precision metal components *HK$'000*	Intelligent information business *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*	Photomask business *HK$'000*	Consolidated *HK$'000*
REVENUE										
External sales	159,543	108,791	–	26,361	101,560	107	–	396,362	21,628	417,990
Inter-segment sales	249	–	–	–	–	354	(603)	–	–	–
Total	159,792	108,791	–	26,361	101,560	461	(603)	396,362	21,628	417,990
RESULT										
Segment results	105,508	(8,655)	–	(2,633)	8,515	(713)		102,022	(33,409)	68,613
Unallocated corporate income								3,693	58	3,751
Unallocated corporate expense								(44,469)	–	(44,469)
Gain on deemed disposal of a subsidiary								1,308	–	1,308
Share of profit of associates								5,220	–	5,220
Share of profit of jointly controlled entities								16,168	–	16,168
Finance costs								(17,899)	(1,737)	(19,636)
Profit before tax								66,043	(35,088)	30,955

4. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**6,267**	10,040
Convertible loan notes *(note 10)*	**19,208**	7,172
Finance leases	**20**	20
Amount due to a related company	**207**	667
	25,702	17,899
Discontinued operation	**1,736**	1,737
Total	**27,438**	19,636

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
The income tax (credit) expense comprises:		
Current tax:		
Hong Kong	**150**	1,304
Other regions in the PRC	**1,148**	3,972
	1,298	5,276
Underprovision (overprovision) in prior year:		
Hong Kong	**28**	–
PRC	**398**	(1,378)
	426	(1,378)
Deferred tax	**(4,114)**	(810)
Income tax (credit) expense relating to continuing operations	**(2,390)**	3,088
Income tax expense relating to discontinued operation	**–**	–
Income tax (credit) expense relating to continuing and discontinued operations	**(2,390)**	3,088

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the period under review. Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. For the both periods of six months ended 30 June 2009 and 30 June 2008, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25%.

6. PROFIT FOR THE PERIOD

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period has been arrived at after charging:						
Allowance for inventories (included in cost of sales)	**1,185**	–	**–**	–	**1,185**	–
Amortisation of intangible assets (included in cost of sales)	**3,201**	2,181	**–**	–	**3,201**	2,181
Release of prepaid lease payments (included in administrative expenses)	**192**	197	**–**	–	**192**	197
Depreciation of property, plant and equipment	**6,495**	8,652	**24,961**	24,845	**31,456**	33,497
Loss on disposal of property, plant and equipment	**3,855**	18	**–**	–	**3,855**	18
Share of tax of associates (included in share of profit of associates)	**–**	941	**–**	–	**–**	941
Share of tax of a jointly controlled entity (included in share of profit of jointly controlled entities)	**–**	336	**–**	–	**–**	336
Net foreign exchange loss	**–**	4,184	**77**	855	**77**	5,039
and after crediting:						
Income from insurance claim in relation to a flooding	**16,694**	–	**–**	–	**16,694**	–
Reversal of impairment loss recognised on amounts due from customers for contract work	**1,785**	–	**–**	–	**1,785**	–
Net foreign exchange gain	**3,596**	–	**–**	–	**3,596**	–
Interest income from bank deposits	**431**	1,162	**–**	2	**431**	1,164

7. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**208,297**	24,404
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**19,208**	–
Gain on fair value change of the derivative components of convertible loan notes	**(7,207)**	–
Deferred tax on convertible loan notes	**(4,114)**	–
Earnings for the purpose of diluted earnings per share	**216,184**	24,404

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,047,913**	1,916,201
Effect of dilutive potential ordinary shares:		
– share options	**–**	63,326
– convertible loan notes	**376,761**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,424,674**	1,979,527

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

For the period ended 30 June 2008, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an increase in earnings per share.

From continuing operations

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings figures are calculated as follows:		
Profit for the period attributable to the owners of the Company	**208,297**	24,404
Less: profit (loss) for the period from discontinued operation	**169,808**	(35,088)
Earnings for the purpose of basic earnings per share (2008: basic and diluted earnings per share) from continuing operations	**38,489**	59,492

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

No diluted earnings per share from continuing operations has been calculated for the period ended 30 June 2009 as the conversion of the Company's outstanding convertible loan notes could result in an increase in earnings per share.

From discontinued operation

Basic earnings per share from discontinued operation is HK8.29 cents per share (2008: basic loss per share from discontinued operation was HK1.83 cents per share) and diluted earnings per share from the discontinued operation is HK7.00 cents per share (2008: N/A), based on the profit for the period from the discontinued operation of HK$169,808,000 (2008: loss for the period from the discontinued operation of HK$35,088,000) and the denominators detailed above for both basic and diluted earnings per share.

No diluted loss per share has been calculated for the period ended 30 June 2008 from discontinued operation as the exercise of share options granted by the Company could result in a decrease in loss per share from discontinued operation.

8. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**54,222**	286,245
91- 180 days	**59,646**	59,587
181 – 365 days	**170,343**	16,988
1 – 2 years	**198**	3,758
Over 2 years	**2,059**	2,402
	286,468	368,980

9. TRADE AND BILLS PAYABLES

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

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**77,725**	87,906
91 -180 days	**1,958**	92,100
181 – 365 days	**20,325**	9,343
1 – 2 years	**5,232**	5,199
Over 2 years	**2,509**	4,686
	107,749	199,234

10. CONVERTIBLE LOAN NOTES

The movement of the liability component and the derivative components (including conversion option derivative, bondholder's early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the period ended 30 June 2009 is set out as follows:

	Liability component *HK$'000*	**Derivative components** *HK$'000*
At 1 January 2009 (audited)	319,656	–
Issue of Convertible Bond	41,059	75,191
Interest charge *(note 4)*	19,208	–
Interest paid	(5,727)	–
Exchange realignment	104	–
Gain on fair value change	–	(7,207)
Carrying amount at 30 June 2009 (unaudited)	374,300	67,984

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

The major terms of Convertible Bond are as follows:

(i) Conversion option:

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

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

(ii) Compulsory conversion option:

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

(iii) Bondholder's early redemption option:

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

The Convertible Bond contains liability component, conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative. The conversion option derivative and bondholder's early redemption option derivative are not closely related to the liability component and are classified as derivative components.

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

The conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative are measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in the consolidated statement of comprehensive income for the period ended 30 June 2009.

Binomial model is used for valuation of conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative. The major inputs into the model were as follows:

	5 June 2009	**30 June 2009**
Stock price	HK$0.60	HK$0.51
Exercise price	HK$0.60	HK$0.60
Volatility	50%	50%
Dividend yield	0%	0%
Option life	5 years	4.93 years
Risk free rate	2.83%	2.54%

The fair value of the Convertible Bond with embedded derivatives were determined by the directors with reference to a valuation report carried out by an independent and recognised international business valuers, on Issue Date at approximately HK$116,250,000. At 30 June 2009, the liability component of the Convertible Bond is HK$41,923,000 which is stated at amortised cost using the effective interest method and the fair value of the derivative components of the Convertible Bond is HK$67,984,000.

(b) 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. The Convertible Notes carry 3% coupon interest per annum payable semi-annually and redeemable at its principal amount on 17 April 2011 by the Company. At 30 June 2009, the carrying amount of the liability component of the Convertible Notes is HK$332,377,000.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover from the continued operations for the six months ended 30 June 2009 amounted to HK$174.5 million (six months period ended 30 June 2008: HK$396.4 million), representing a decrease of 56% over the corresponding period of the previous year. The decrease was attributable to the significant reduction of customer orders received and the slowdown of progress billings recognised on certain installation contracts in the first half of the year.

Profit attributable to the owners of the Company for the period amounted to HK$208.3 million (six months period ended 30 June 2008: HK$24.4 million), representing an increase of 754% over the same period of the previous year. The increase was mainly attributable to the disposal of two subsidiaries which recognised a gain of approximately HK$208.8 million, the gain on disposal of available-for-sales investments and held for trading investments of approximately HK$43.3 million and offset by the operating expenses of HK$43.8 million. The basic and diluted earnings per share from continuing and discontinued operations were HK10.17 cents and HK8.92 cents respectively. By excluding the discontinued operation, the basic earnings per share from continuing operations was HK1.88 cents, representing a decrease of 39% over the same period of the previous year.

As at 30 June 2009, the Group's equity attributable to the owners of the Company amounted to HK$1,263.7 million, an increase of HK$251.5 million over the audited figure as at 31 December 2008 of HK$1,012.2 million. The net asset value per share attributable to the owners of the Company as at 30 June 2009 was HK$0.59 (31 December 2008: HK$0.53).

Digital Television Business

As at 30 June 2009, the Group had, together with Guangdong Southern Yinshi Network Media Company Limited (hereinafter abbreviated as "Southern Yinshi"), set up 15 local digital television project companies (hereinafter abbreviated as "local project companies") in Guangdong Province and established an operational platform with approximately 1,200,000 users of cable television.

During the period under review, the Group, pursuant to the cooperative agreement it had entered into with Southern Yinshi, has received an operating income of technical service fee from local project companies amounting to approximately HK$44.6 million (six months period ended 30 June 2008: HK$35.2 million). The rise in service fee received was mainly due to the increasing number of new subscribers during the period. However, the weak domestic economy environment adversely affected the consumer sentiment in the first half of the year. As a result, the Group reported a turnover of approximately HK$13.1 million through the provision and manufacture of digital television equipment compared with a turnover of approximately HK$124.3 million in the last corresponding period. The Group will continue to devote more resources and effort to explore the new domestic and export markets and the management still believe that the digital television business can generate a rewarding return to the Group in the long run.

System Integration Solution Services

The system integration solution services have continued to generate stable return for the Group. The turnover and operating profit of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as "SST") for the six months period ended 30 June 2009 amounted to HK$79.7 million (six months period ended 30 June 2008: HK$101.6 million) and HK$9.5 million (six months period ended 30 June 2008: HK$8.5 million).

SST will continue to explore new business such as providing energy efficiency solution to the telecommunication industry. It is expected that the new opportunity will continue to provide growth to the Group in the coming future.

Traditional Business

Traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. Suffering from the impact of global economic downturn, the turnover of traditional business fell by nearly 75% to HK$27.3 million (six months period ended 30 June 2008: HK$108.8 million) while operating loss also increased to HK$28.3 million (six months period ended 30 June 2008: HK$8.7 million). However, the operating loss has been compensated by the receipt from insurance claim in relation to a flooding in 2008 amounting to HK$16.7 million. Furthermore, the Group also disposed its 60% owned subsidiary which manufactured the low margin telephone cords and cables to an independent third party and recognised a gain of approximately HK$1.9 million in May 2009.

High Precision Metal Components

For the six months period ended 30 June 2009, turnover and the operating profit were HK$9.7 million (six months period ended 30 June 2008: HK$26.4 million) and HK$1.2 million (six months period ended 30 June 2008: loss of HK$2.6 million). The improvement of the result was contributed to more tighten cost control measures implemented by the management.

Photomask – Discontinued operation

The photomask business is classified under discontinued operation with the disposal of Remarkable Mask Technology Company Limited ("Remarkable") completed in June 2009. Attributable turnover of Remarkable amounted to HK$8.7 million (six months period ended 30 June 2008: HK$21.6 million) for the current period with a reported loss of HK$37.1 million (six months period ended 30 June 2008: HK$35.1 million). The Group recorded a gain on disposal of about HK$206.9 million in the transaction. Details of the transaction contemplated under the agreement were disclosed in the circular to shareholders dated 18 May 2009.

Jointly Controlled Entity – Copper wire

The copper wire business was heavily affected by the global financial crisis. The significant contraction of demand led to the drop of sales by nearly 69% to HK$198.1 million (six months period ended 30 June 2008: HK$644.9 million) compared with the last corresponding period. Further, the current period copper inventories were purchased at the contractual commodity price that was much higher than the market price. Consequently, the Group shared a loss of approximately HK$3.5 million compared with a profit of approximately HK$16.0 million in 2008.

OTHER INVESTMENTS

During the period under review, the Group disposed all 20,989,778 shares of Tianjin Printronics Circuit Corporation ("TPC") which shares are listed on Shenzhen Stock Exchange. The gain on disposal of TPC shares was approximately HK$34.3 million. Further, the Group also disposed a portion of held for trading investments during the recent rebound from the Hong Kong stock market and recognised a gain of approximately HK$9.0 million.

PROSPECT

With the disposal of various non-core operations in the first half of 2009, the Group has achieved a clear positioning for its three main businesses development in the future, including the continuous development of digital television business operation in the Guangdong Province area in collaboration with Guangdong Southern Yinshi Network Media Company Limited, and the establishment of income streams from digital television technology solutions and network equipment, so as to establish the digital television business as our principal business for continuous development.

Sales revenue of digital television set-top box for the period was affected by global economic downturn and recorded a significant decline. The Group has already expedited the expansion of its sales team and devoted more internal resources in this respect for the development of domestic and foreign set-top box market. Besides, the Group had also successfully transformed its manufacturing plant in Dongguan into a processing facility for digital television equipment. The Group believes that the sales of digital television equipment will bring both revenue and profit contributions to the Group in tandem with the improvement of economic environment in the second half of the year.

Furthermore, with the aim of further enhancement of energy efficiency and strengthening environmental protection, China places great importance on energy conservation and emission reduction. To capitalize on new opportunities, our intelligent system business is actively developing the market of professional energy saving products. And in view of the high energy consumption level of mobile communications base station and motor rooms, the Group is also providing a series of energy saving products, solutions and complementary value-added services and has submitted relevant applications to government authorities for approval. The Group believes that this new energy saving business will bring attractive returns to the Company in the future.

FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 30 June 2009, as compared to 31 December 2008 is summarized below:

	As at 30 June 2009 *HK$'000*	As at 31 December 2008 *HK$'000*
Total Debt		
– from banks	**422,114**	287,218
– from a related company	**–**	20,038
– from finance leases	**187**	17,808
– from convertible loan notes	**374,300**	319,656
Sub-total	**796,601**	644,720
Cash and bank deposits	**402,280**	155,979
Net debt	**394,321**	488,741
Total capital (Equity and total debt)	**2,060,296**	1,656,925
Total assets	**2,427,585**	2,020,670
Financial leverage		
– net debt to total capital	**19.1%**	29.5%
– net debt to total assets	**16.2%**	24.2%

FINANCING ACTIVITIES

In order to further investing in the Digital Television Business, the Group, through a wholly owned subsidiary in the PRC, obtained an eight-year term loan facility of RMB 400 million and drew an amount of RMB 250 million in June 2009. Such facility entails floating rate of five-year benchmark interest rate of Chinese Central Bank. In addition, the Group successfully issued the principal amount of US$15 million zero coupon convertible bond due on 2014 in June 2009. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 13 May 2009.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, RMB and United States dollars. The operation results of the Group might be affected by the volatility of RMB. The Group will review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 30 June 2009, there were no derivative financial instruments employed during the period.

CAPITAL STRUCTURE

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

During the period under review, a total of 1,714,000 ordinary shares of the Company was allotted and issued as a result of the exercise of share options. Therefore, the issued share capital of the Company increased to approximately HK$535.5 million (31 December 2008: approximately HK$477.6 million), represented by approximately 2,142.1 million ordinary shares as at 30 June 2009 (31 December 2008: approximately 1,910.4 million ordinary shares).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than those disclosed in the paragraph of Business Review above, the Group had no other material acquisition, disposal and significant investment during the six months period ended 30 June 2009.

CONTINGENT LIABILITIES

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, increased from approximately HK$18,037,000 as at 31 December 2008 to approximately HK$19,723,000 as at 30 June 2009. In addition, one of the subsidiaries, SST has provided a cross guarantee of approximately HK$50,850,000 (31 December 2008: HK$50,850,000) for credit facilities granted to third parties as at 30 June 2009.

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 1,304 employees at 30 June 2009.

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

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

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 (the "High Court") to enforce an arbitration award (the "Award") obtained against Santai in Denmark for breach of a referral agreement entered into between Santai and Mercodan A/S ("Mercodan"), a Danish public limited company, on 17 February 2004.

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

On 16 January 2009, an application was made by Santai to the High Court to set aside the Order (the "Application").

On 30 April 2009, a judgment was made by the High Court to dismiss the Application and permit the enforcement of the Award.

On 26 June 2009, Santai paid Mercodan a total sum of US$1,200,000 (included in other expenses) for a full and final settlement of the Award in accordance with the deed of settlement dated on 25 June 2009 signed between Santai and Mercodan.

DISPOSAL OF A JOINTLY CONTROLLED ENTITY AFTER 30 JUNE 2009

On 31 July 2009, the Group completed the disposal of its 50% equity interest in a jointly controlled entity to the remaining shareholder for a consideration of about HK$152.0 million. Details of the transaction contemplated under the agreement were disclosed in the circular to shareholders dated 8 July 2009.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2009.

APPRECIATION

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

By order of the Board
Cao Zhong
Chairman

Hong Kong, 7 September 2009

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Chau Chit (Managing 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).