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 2010

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 2010 with comparative figures for the year ended 31 December 2009. These final results have been reviewed by the Audit Committee of the Company.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2010*

| | *Notes* | **2010** **HK$'000** | 2009 HK$'000 (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **580,668** | 386,570 |
| Cost of sales | | **(392,661)** | (251,974) |
| Gross profit | | **188,007** | 134,596 |
| Other income, gains and losses | 5 | **2,137** | (3,694) |
| Selling and distribution costs | | **(7,699)** | (8,138) |
| Administrative expenses | | **(95,980)** | (82,756) |
| Gain on fair value changes of investment properties | | **1,377** | 1,385 |
| (Decrease) increase in fair value of held-for-trading investments | | **(5,313)** | 16,192 |
| Gain on disposal of available-for-sale investments | | **83** | 34,295 |
| Gain (loss) on disposal of subsidiaries | | **479** | (1,243) |
| Loss on disposal of partial interest in a subsidiary | | **–** | (15,907) |
| Gain on fair value change of the derivative components of convertible loan notes | | **44,339** | 2,362 |
| Share of loss of associates | | **(114)** | (2,189) |
| Finance costs | 6 | **(89,695)** | (67,313) |
| Profit before tax | | **37,621** | 7,590 |
| Income tax (expense) credit | 7 | **(17,398)** | 4,817 |
| Profit for the year from continuing operations | 8 | **20,223** | 12,407 |

| | 2010 | 2009 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| **Discontinued operations** | | |
| (Loss) profit for the year from discontinued operations | **(11,392)** | 130,545 |
| Profit for the year | **8,831** | 142,952 |
| **Other comprehensive income** | | |
| Exchange differences on translation | | |
| Exchange difference arising during the year | **13,053** | 927 |
| Share of translation difference of associates | **438** | – |
| Reclassification adjustment upon partial disposal of an associate | **(32)** | – |
| Reclassification adjustment upon disposal of a jointly controlled entity | **–** | (7,219) |
| Available-for-sale investments | | |
| Share of revaluation of available-for-sale investments of associates | **(14,329)** | 15,417 |
| Reclassification adjustment upon partial disposal of an associate | **(1,024)** | – |
| Fair value gain on available-for-sale investments | **–** | 8,838 |
| Reclassification adjustment on sale of available-for-sale investments | **–** | (57,162) |
| Revaluation of property | | |
| Gain on revaluation upon transfer from property, plant and equipment to investment properties | **18,629** | 6,048 |
| Deferred tax upon transfer from property, plant and equipment to investment properties | **(2,794)** | – |
| Other comprehensive income (expense) for the year | **13,941** | (33,151) |
| Total comprehensive income for the year | **22,772** | 109,801 |

| | Note | 2010 HK$'000 | 2009 HK$'000 (Restated) |
|---|---|---|---|
| Profit for the year attributable to: | | | |
| Owners of the Company | | | |
| – Profit for the year from continuing operations | | **20,893** | 11,113 |
| – (Loss) profit for the year from discontinued operations | | **(11,386)** | 130,084 |
| Profit for the year attributable to the owners of the Company | | **9,507** | 141,197 |
| Non-controlling interests | | | |
| – (Loss) profit for the year from continuing operations | | **(670)** | 1,294 |
| – (Loss) profit for the year from discontinued operations | | **(6)** | 461 |
| (Loss) profit for the year attributable to non-controlling interests | | **(676)** | 1,755 |
| | | **8,831** | 142,952 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **22,332** | 108,455 |
| Non-controlling interests | | **440** | 1,346 |
| | | **22,772** | 109,801 |
| **Earnings per share** | 9 | | |
| *From continuing and discontinued operations* | | | |
| Basic and diluted (HK cents) | | **0.44** | 6.87 |
| *From continuing operations* | | | |
| Basic and diluted (HK cents) | | **0.98** | 0.54 |

**Consolidated Statement of Financial Position**
*At 31 December 2010*

| | Note | **31.12.2010** | 31.12.2009 | 1.1.2009 |
|---|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | | (Restated) | (Restated) |
| **Non-current assets** | | | | |
| Investment properties | | **95,660** | 40,900 | 10,508 |
| Property, plant and equipment | | **708,318** | 97,145 | 231,813 |
| Prepaid lease payments | | **2,452** | 2,536 | 3,780 |
| Goodwill | | **197,512** | 193,110 | 235,364 |
| Intangible assets | | **406,695** | 120,201 | 119,734 |
| Deposits paid for acquisition of equipment | | **169,275** | 353,870 | 105,903 |
| Deposit paid for acquisition of a property | | **40,600** | – | – |
| Investments in associates | | **68,758** | 86,788 | 6,122 |
| Investments in jointly controlled entities | | **–** | – | 151,742 |
| Available-for-sale investments | | **8,120** | 16,849 | 15,974 |
| Club debentures | | **700** | 700 | 630 |
| Deferred tax assets | | **5,283** | 4,429 | 4,313 |
| Other receivable | | **–** | 31,298 | – |
| | | **1,703,373** | 947,826 | 885,883 |
| **Current assets** | | | | |
| Prepaid lease payments | | **84** | 84 | 117 |
| Inventories | | **17,695** | 63,289 | 150,553 |
| Trade receivables | 10 | **243,850** | 291,120 | 368,980 |
| Prepayments, deposits and other receivables | | **410,057** | 620,390 | 120,237 |
| Held-for-trading investments | | **8,621** | 4,826 | 14,219 |
| Available-for-sale investments | | **–** | – | 116,221 |
| Amounts due from customers for contract work | | **383,969** | 336,046 | 188,518 |
| Amount due from an associate | | **9,976** | – | 47 |
| Amount due from a jointly controlled entity | | **–** | – | 1,824 |
| Tax recoverable | | **1,725** | 1,720 | 17 |
| Pledged bank deposits | | **245,142** | 13,123 | 18,075 |
| Bank balances and cash | | **210,318** | 408,475 | 155,979 |
| | | **1,531,437** | 1,739,073 | 1,134,787 |

| | Notes | **31.12.2010** <br> ***HK$'000*** | 31.12.2009 <br> *HK$'000* <br> (Restated) | 1.1.2009 <br> *HK$'000* <br> (Restated) |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and bills payables | 11 | **246,357** | 243,194 | 199,234 |
| Other payables, deposits received and accruals | | **237,888** | 97,873 | 103,343 |
| Provision | | **7,643** | 40,162 | – |
| Amounts due to customers for contract work | | **25,598** | 28,847 | 24,544 |
| Amount due to an associate | | **–** | 643 | – |
| Loan from a related company | | **–** | – | 20,038 |
| Convertible loan notes | 12 | **441,203** | – | – |
| Embedded derivative components of convertible loan notes | 12 | **28,490** | – | – |
| Tax liabilities | | **26,132** | 11,496 | 5,930 |
| Bank borrowings – due within one year | | **466,520** | 130,256 | 285,415 |
| Obligations under finance leases – due within one year | | **–** | – | 6,072 |
| | | **1,479,831** | 552,471 | 644,576 |
| **Net current assets** | | **51,606** | 1,186,602 | 490,211 |
| **Total assets less current liabilities** | | **1,754,979** | 2,134,428 | 1,376,094 |
| **Non-current liabilities** | | | | |
| Bank borrowings – due after one year | | **329,440** | 396,411 | 1,803 |
| Convertible loan notes | 12 | **–** | 395,025 | 319,656 |
| Embedded derivative components of convertible loan notes | 12 | **–** | 72,829 | – |
| Obligation under finance leases – due after one year | | **–** | – | 11,736 |
| Other payable | | **125,280** | – | – |
| Deferred tax liabilities | | **4,359** | 6,782 | 13,413 |
| | | **459,079** | 871,047 | 346,608 |
| **Net assets** | | **1,295,900** | 1,263,381 | 1,029,486 |
| **Capital and reserves** | | | | |
| Share capital | | **535,535** | 535,535 | 477,607 |
| Reserves | | **714,136** | 683,418 | 534,598 |
| Equity attributable to owners of the Company | | **1,249,671** | 1,218,953 | 1,012,205 |
| Non-controlling interests | | **46,229** | 44,428 | 17,281 |
| **Total equity** | | **1,295,900** | 1,263,381 | 1,029,486 |

*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, a private company incorporated in Hong Kong, is a substantial 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 of the Company's annual report.

The functional currency of the Company is Renminbi as the Company mainly holds investment in subsidiaries whose operations are primarily in the PRC.

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 ("HK$"), the presentation currency for the consolidated financial statements.

In prior years, the Group was involved in the traditional business operation and high precision metal components operation. These operations were discontinued with effect from 30 June 2010 and 31 July 2010, respectively. The comparative figures of the consolidated statement of comprehensive income for the year ended 31 December 2009 have been restated to reflect the discontinuance of these operations.

2. **BASIS OF PREPARATION**

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 and by the Hong Kong Companies Ordinance.

The 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 explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

**New and revised Standards and Interpretations applied in the current year**

In the current year, the Group and the Company have applied the following new and revised Standards and Interpretations issued by the HKICPA.

| | |
|---|---|
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (as revised in 2008) | Business Combinations |
| HKAS 27 (as revised in 2008) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners |
| HK – Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect in these consolidated financial statements.

***Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)***

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

***Amendments to HKAS 7 Statement of Cash Flows***

As a part of the consequential amendments of HKAS 27, HKAS 7 specifies that the cash flows arising from changes in ownership interest in a subsidiary that do not result in a loss of control should be classified as financing activities in the consolidated statement of cash flows. This change has been applied restropectively. Accordingly, the cash consideration paid in the prior year of HK$1,079,000 for acquisition of additional interest in a subsidiary and proceeds from disposal of partial interests in a subsidiary of HK$53,643,000 have been reclassified from cash flows used in investing activities to cash flows used in financing activities.

***HKFRS 3 (as revised in 2008) Business Combinations***

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions.

Specifically, HKFRS 3 (as revised in 2008) requires the Group's previously held equity interest in the acquiree to be remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) when a business combination is achieved in stages. The resulting gain or loss, if any, is recognised in profit or loss. In addition, HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the acquisition date (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

The application of HKFRS 3 (as revised in 2008) affected the Group's business combination in the current year. As explained in note 46, the Group acquired additional 31.5% equity interest in Concord Optic – Electronic Technology Co., Limited ("Concord Optic") bringing its shareholding from 48.5% to 80%. Concord Optic became a subsidiary of the Company thereafter. The impact on profit for the year on remeasuring the Group's previously 48.5% equity interest is insignificant. The Group has elected to measure the non-controlling interests at their proportionate share of the recognised amount of Concord Optic's identifiable net assets at the date of acquisition.

***HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements***

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. As there was no transaction during the current year in which HKAS 27 (as revised in 2008) are applicable, the application of HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements did not have any significant impact on the financial statements of the Group and the Company.

Results of the Group in future period may be affected by future transaction for which HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

***Amendment to HKAS 17 Leases***

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

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land qualifies for finance lease classification have been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with a previous carrying amount of approximately HK$5,500,000 and HK$5,214,000 at 1 January 2009 and 31 December 2009 to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment increased from approximately HK$226,324,000 and approximately HK$91,931,000 at 1 January 2009 and 31 December 2009 to approximately HK$231,813,000 and approximately HK$97,145,000 respectively.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$4,938,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

**New and revised Standards and Interpretations issued but not yet effective**

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010[1] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[3] |
| HKFRS 9 | Financial Instruments[4] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[5] |
| HKAS 24 (as revised in 2009) | Related Party Disclosures[6] |
| HKAS 32 (Amendments) | Classification of Rights Issues[7] |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement[6] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the application of the new Standard will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of the Group's other financial assets but not on the Group's financial liabilities.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

## 4. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable and operating segments under HKFRS 8 are as follows:

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

Intelligent information business – Development and provision of system integration solutions, system design and sale of system hardware.

Others – Provision of management services, manufacture and distribution of printed circuit boards, and leasing of investment properties.

In prior year, printed circuit boards business was reviewed separately by the CODM and constituted an operating segment of the Group. In 2010, CODM decided to combine and review the segment information of "printed circuit boards" and "others" as one single operating segment. The segment information in respect of "others" in 2009 has been restated to conform to the current year's presentation.

In 2010, two operating segments, the traditional business and high precision metal components were discontinued. In 2009, an operating segment, the photomask business, was discontinued. The segment information reported below does not include any amounts for these discontinued operations.

**Segment revenues and results**

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

**For the year ended 31 December 2010**

**Continuing operations**

| | DTV technical solutions and equipment business | Intelligent information business | Others | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| SEGMENT REVENUE | | | | |
| External sales | **262,768** | **316,645** | **1,255** | **580,668** |
| Inter-segment sales | **–** | **–** | **–** | **–** |
| Total | **262,768** | **316,645** | **1,255** | **580,668** |
| Segment profit (loss) | **114,917** | **18,309** | **(50,963)** | **82,263** |
| Unallocated income | | | | **5,579** |
| Decrease in fair value of held-for-trading investments | | | | **(5,313)** |
| Gain on disposal of available-for-sale investments | | | | **83** |
| Gain on disposal of subsidiaries | | | | **479** |
| Gain on fair value change of the derivative components of convertible loan notes | | | | **44,339** |
| Share of loss of associates | | | | **(114)** |
| Finance costs | | | | **(89,695)** |
| Profit before tax (continuing operations) | | | | **37,621** |

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

**For the year ended 31 December 2009**

**Continuing operations**

| | DTV technical solutions and equipment business *HK$'000* | Intelligent information business *HK$'000* | Others *HK$'000* (Restated) | Elimination *HK$'000* (Restated) | Total *HK$'000* (Restated) |
|---|---|---|---|---|---|
| SEGMENT REVENUE | | | | | |
| External sales | 100,475 | 284,811 | 1,284 | – | 386,570 |
| Inter-segment sales | 2,350 | – | 960 | (3,310) | – |
| Total | 102,825 | 284,811 | 2,244 | (3,310) | 386,570 |
| Segment profit (loss) | 58,583 | 16,105 | (38,020) | – | 36,668 |
| Unallocated income | | | | | 3,952 |
| Unallocated expense | | | | | (470) |
| Increase in fair value of held-for-trading investments | | | | | 16,192 |
| Gain on disposal of available-for-sale investments | | | | | 34,295 |
| Loss on disposal of partial interest in a subsidiary | | | | | (15,907) |
| Gain on fair value change of the derivative components of convertible loan notes | | | | | 2,362 |
| Share of loss of associates | | | | | (2,189) |
| Finance costs | | | | | (67,313) |
| Profit before tax (continuing operations) | | | | | 7,590 |

In 2009, inter-segment sales were charged at prevailing market price. There was no inter-segment sales in 2010.

The following is an analysis of the Group's assets and liabilities by reportable segment:

**Segment assets**

| | **31.12.2010** | 31.12.2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Continuing operations | | |
| DTV technical solutions and equipment business | **1,483,812** | 871,329 |
| Intelligent information business | **883,118** | 784,947 |
| Others | **96,999** | 37,466 |
| Total segment assets | **2,463,929** | 1,693,742 |
| Reconciliation of segment total to group total: | | |
| Assets relating to discontinued operations | | |
| Traditional business | **–** | 52,116 |
| High precision metal components | **–** | 15,214 |
| | **2,463,929** | 1,761,072 |
| Unallocated assets: | | |
| Investments in associates | **68,758** | 86,788 |
| Bank balances and cash | **210,318** | 408,475 |
| Available-for-sale investments | **8,120** | 16,849 |
| Pledged bank deposits | **245,142** | 13,123 |
| Held-for-trading investments | **8,621** | 4,826 |
| Deferred tax assets | **5,283** | 4,429 |
| Deferred consideration | **222,215** | 388,917 |
| Other unallocated assets | **2,424** | 2,420 |
| Consolidated assets | **3,234,810** | 2,686,899 |

**Segment liabilities**

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Continuing operations | | |
| DTV technical solutions and equipment business | **336,932** | 84,173 |
| Intelligent information business | **278,532** | 261,595 |
| Others | **27,302** | 45,248 |
| Total segment liabilities | **642,766** | 391,016 |
| Reconciliation of segment total to group total: | | |
| Liabilities relating to discontinued operations | | |
| Traditional business | **–** | 13,211 |
| High precision metal components | **–** | 6,492 |
| | **642,766** | 410,719 |
| Unallocated liabilities: | | |
| Bank borrowings | **795,960** | 526,667 |
| Convertible loan notes (including embedded derivative components) | **469,693** | 467,854 |
| Tax liabilities | **26,132** | 11,496 |
| Deferred tax liabilities | **4,359** | 6,782 |
| Consolidated liabilities | **1,938,910** | 1,423,518 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates, bank balances and cash, available-for-sale investments, pledged bank deposits, held-for-trading investments, deferred consideration, deferred tax assets and other unallocated assets; and

- all liabilities are allocated to reportable segments other than bank borrowings, convertible loan notes, tax liabilities and deferred tax liabilities.

**Other segment information**

**2010**

**Continuing operations**

| | DTV technical solutions and equipment business<br>*HK$'000* | Intelligent information business<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Capital expenditure *(note)* | **955,803** | **9,959** | **3,906** | **969,668** |
| Depreciation of property, plant and equipment | **10,275** | **2,408** | **3,064** | **15,747** |
| Amortisation of intangible assets | **8,456** | **2,456** | **–** | **10,912** |
| Increase in fair value of investment properties | **1,374** | **–** | **3** | **1,377** |
| Gain on disposal of property, plant and equipment | **–** | **(90)** | **–** | **(90)** |
| Impairment loss on amounts due from customers for contract work | **–** | **1,086** | **–** | **1,086** |
| Impairment loss in respect of other receivables | **–** | **–** | **3,775** | **3,775** |
| Impairment loss in respect of intangible assets | **–** | **2,290** | **–** | **2,290** |
| Impairment loss in respect of trade receivables | **–** | **3,764** | **–** | **3,764** |
| Share-based payment expenses | **–** | **–** | **8,386** | **8,386** |
| Release of prepaid lease payments | **–** | **–** | **22** | **22** |

**2009**

**Continuing operations**

| | DTV technical solutions and equipment business *HK$'000* | Intelligent information business *HK$'000* | Others *HK$'000* (Restated) | Total *HK$'000* (Restated) |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Capital expenditure *(note)* | 25,894 | 8,184 | 53,306 | 87,384 |
| Depreciation of property, plant and equipment | 1,777 | 1,601 | 4,507 | 7,885 |
| Amortisation of intangible assets | 6,106 | 296 | – | 6,402 |
| Increase in fair value of investment properties | – | – | 1,385 | 1,385 |
| Loss on disposal of property, plant and equipment | 61 | 2,551 | 515 | 3,127 |
| Reversal of impairment loss in respect of trade receivables | (919) | – | – | (919) |
| Release of prepaid lease payments | – | – | 34 | 34 |
| Share-based payment expenses | – | – | 5,597 | 5,597 |
| Impairment loss in respect of amounts due from customers for contract work | – | 7,514 | – | 7,514 |

*Note:* Capital expenditure include additions to property, plant and equipment and intangible assets and investments in associates.

## 5. OTHER INCOME, GAIN AND LOSSES

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Impairment loss in respect of other receivable | **(3,775)** | – |
| (Recognition) reversal of impairment loss in respect of trade receivables | **(3,764)** | 919 |
| Impairment loss in respect of intangible assets | **(2,290)** | – |
| Research and development costs | **(1,806)** | (1,794) |
| Impairment loss in respect of amounts due from customers for contract work | **(1,086)** | (7,514) |
| Net foreign exchange gain | **2,202** | 3,911 |
| Interest on deposit paid for acquisition of a property | **3,382** | – |
| Reversal (recognition) of impairment loss in respect of investment in an associate | **2,542** | (2,542) |
| Interest on bank deposits | **1,191** | 1,005 |
| Imputed interest income | **885** | – |
| Income from provision of utility services | **612** | – |
| Proceeds from sale of scrap | **299** | – |
| Gain (loss) on disposal of property, plant and equipment | **90** | (3,127) |
| Gain on disposal of partial interest in an associate | **150** | – |
| Recovery from insurance claim *(note)* | **–** | 3,593 |
| Others | **3,505** | 1,855 |
| | **2,137** | (3,694) |

*Note:* Amounts represented recovery from insurance claim arising from a flooding happened in the Group's factory in Dongguan, the PRC which caused significant damage to inventories of the Group in 2008. The amounts were confirmed by and received from the insurance company in 2009.

## 6. FINANCE COSTS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Interest on: | | |
| Bank borrowings | | |
| – wholly repayable within five years | **30,715** | 18,340 |
| – wholly repayable over five years | **1,236** | 2,872 |
| Convertible loan notes *(note 12)* | **57,598** | 45,892 |
| Others | **146** | 209 |
| | **89,695** | 67,313 |

## 7. INCOME TAX EXPENSE (CREDIT)

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Continuing operations** | | |
| Current tax: | | |
| Hong Kong | **–** | 165 |
| Other regions in the PRC | **23,342** | 1,884 |
| | **23,342** | 2,049 |
| Under(over) provision in prior years: | | |
| Hong Kong | **5** | 1,304 |
| Other regions in the PRC | **–** | (1,549) |
| | **5** | (245) |
| Deferred tax | | |
| Current year | **(5,949)** | (6,621) |
| | **17,398** | (4,817) |

No provision for Hong Kong Profits Tax is made for the current year as there is no assessable profits arising in Hong Kong.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2010.

Under the Law of the People's Republic of China on Enterprise Income Tax ("the EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for the followings:

(a) Pursuant to the relevant laws and regulations in the PRC, a principal subsidiary of the Company is exempted from PRC income tax for two years starting from its first profit-making year in 2008, followed by a 50% reduction in the applicable tax rate for the next three years. The tax holidays and concession will expire in 2012.

(b) A major operating subsidiary in the PRC was qualified as High and New Technology Enterprises since 2008 and is entitled to a preferential income tax rate of 15% 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 would increase progressively from 15% to 18%, 20%, 22%, 24% and 25% for the years ended/ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively.

## 8. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations has been arrived at after charging:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Continuing operations** | | |
| Staff costs, including directors' remuneration | | |
| – Salaries, wages and other benefits | **39,919** | 25,179 |
| – Share-based payments | **8,386** | 5,597 |
| – Retirement benefit scheme contributions | **3,281** | 1,607 |
| Total staff costs | **51,586** | 32,383 |
| Depreciation of property, plant and equipment | **15,747** | 7,885 |
| Amortisation of intangible assets (included in cost of sales) | **10,912** | 6,402 |
| Total depreciation and amortisation | **26,659** | 14,287 |
| Auditor's remuneration | **3,172** | 1,717 |
| Cost of inventories recognised as expenses | **134,130** | 14,001 |
| Contract costs recognised as expenses | **239,096** | 214,880 |
| Release of prepaid lease payments | **22** | 34 |

## 9. 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:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company) | **9,507** | 141,197 |

The denominators used are the same as those detailed below for both basic and diluted earnings per share from continuing operations.

| | **2010** | 2009 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **2,142,141** | 2,054,365 |

**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:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Earnings figures are calculated as follows: | | |
| Profit for the year attributable to the owners of the Company | **9,507** | 141,197 |
| Less: (Loss) profit for the year from discontinued operations | **(11,386)** | 130,084 |
| Profit for the purposes of basic and diluted earnings per share from continuing operations | **20,893** | 11,113 |

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **2,142,141** | 2,054,365 |

The calculation of diluted earnings per share from continuing operations does not assume the exercise of the outstanding share options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company for both years, nor the conversion of the outstanding convertible loan notes since their exercise would result in an increase in profit per share from continuing operations.

**From discontinued operations**

Basic and diluted loss per share for the discontinued operations is HK 0.54 cents per share (2009: earnings of HK 6.33 cents per share).

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| (Loss) profit for the purposes of basic and diluted (loss) earnings per share attributable to owners of the Company | **(11,386)** | 130,084 |

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

## 10. TRADE RECEIVABLES

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **299,900** | 344,693 |
| Less: Allowance for doubtful debts | **(56,050)** | (53,573) |
| | **243,850** | 291,120 |

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 90 to 360 days of issuance. Each customer has a designated credit limit.

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

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 90 days | **202,813** | 118,634 |
| 91 – 180 days | **27,707** | 65,172 |
| 181 – 365 days | **10,659** | 30,592 |
| 1 – 2 years | **2,671** | 75,777 |
| Over 2 years | **–** | 945 |
| | **243,850** | 291,120 |

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines a credit rating and limit for each customer. In addition, the Group reviews the repayment history of receivables of each customer with reference to the payment terms stated in contracts to determine the recoverability. In the opinion of directors, trade receivables that are not past due nor impaired at the end of the reporting period were of good credit quality.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$27,158,000 (2009: HK$122,164,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 230 days (2009: 396 days).

## 11. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables based on the invoice date at the end of reporting period:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 90 days | **215,278** | 176,395 |
| 91 – 180 days | **22,559** | 26,468 |
| 181 – 365 days | **4,471** | 13,144 |
| 1 – 2 years | **–** | 24,013 |
| Over 2 years | **4,049** | 3,174 |
| | **246,357** | 243,194 |

## 12. CONVERTIBLE LOAN NOTES

The Group issued convertible loan notes in 2008 and 2009. Movements for the years ended 31 December 2010 and 2009 are set out as follows:

| | **Liability component** | **Derivative components** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At 1 January 2009 | 319,656 | – |
| Issue of convertible loan notes | 41,059 | 75,191 |
| Interest charge | 45,892 | – |
| Interest paid | (11,550) | – |
| Exchange realignment | (32) | – |
| Gain arising on changes of fair value | – | (2,362) |
| At 31 December 2009 and 1 January 2010 | 395,025 | 72,829 |
| Interest charge | 57,598 | – |
| Interest paid | (11,550) | – |
| Exchange realignment | 130 | – |
| Gain arising on changes of fair value | – | (44,339) |
| Carrying amount at 31 December 2010 | 441,203 | 28,490 |

**Convertible Loan Notes Issued in 2008**

(a) On 17 April 2008, the Company issued convertible loan notes with an aggregate principal amount of HK$385,000,000 ("Convertible Notes"). The maturity date of the Convertible Notes is 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-dilutive adjustments ("Initial Conversion Price"). The conversion option component of the Convertible Notes will be settled by an exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments and accordingly 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, on the basis that the closing price of the shares of the Company for any 20 trading days in 30 consecutive trading days shall not be less than 163% of the Initial Conversion Price. Then the Company may, having given not less than 30 but not more than 60 days' prior notice in writing to the noteholders of the Convertible Notes, require the noteholders of the Convertible Notes to convert the Convertible Notes into the shares of the Company.

The Convertible Notes contain two components, liability and equity components. The equity component is included in the convertible loan notes equity reserve. The effective interest rate of the liability component is 11.64% per annum. As at 31 December 2010, the carrying amount of the liability component of the Convertible Notes is HK$375,616,000 (2009: HK$346,055,000). No conversion was noted in 2010 and 2009.

**Convertible Bonds Issued in 2009**

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

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

The major terms of Convertible Bond are as follows:

(i) Conversion option:

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

(ii) Compulsory conversion option:

The Company has the compulsory conversion option to convert the Convertible Bond at any time starting from the first day after the second anniversary of the Issue Date and prior to the Maturity Date II, if the volume weighted average of the closing market price of the shares of the Company for any consecutive 20 business days (excluding any days on which the trading of the shares is suspended) ("Trading

Days") immediately preceding the date of exercise of such right exceeded 170% of the Conversion Price and there is a minimum daily trading value of HK$7,800,000 for each of such 20 Trading Days. Then, the Company may, having given not less than 30 but not more than 60 days' prior notice in writing to the Convertible Bondholder to convert all outstanding principal amount of the Convertible Bond into the Company's shares.

(iii) Bondholder's early redemption option:

The Convertible Bondholder shall be entitled by giving 10 business days prior written notice to the Company 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 days a year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

The Convertible Bond contains liability component, conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative (collectively "the derivative component").

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

The derivative component is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss for the year ended 31 December 2010.

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

| | **5 June 2009** | **31 December 2009** | **31 December 2010** |
|---|---|---|---|
| Stock price | HK$0.60 | HK$0.57 | HK$0.39 |
| Exercise price | HK$0.60 | HK$0.60 | HK$0.60 |
| Volatility *(note)* | 50% | 55% | 59% |
| Dividend yield | 0% | 0% | 0% |
| Option life | 5 years | 4.43 years | 3.43 years |
| Risk free rate | 2.83% | 2.4% | 1.24% |

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

The fair value of the Convertible Bond with embedded derivatives were determined 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. As at 31 December 2010, the liability component of the Convertible Bond is HK$65,587,000 (2009: HK$48,970,000) and the fair value of the derivative component of the Convertible Bond is HK$28,490,000 (2009: HK$72,829,000). No conversion was noted in 2010 and 2009.

## FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Turnover from the continuing operations for the year ended 31 December 2010 amounted to HK$580.7 million (31 December 2009: HK$386.6 million (restated)), representing an increase of 50% over the previous year. The increase in turnover was attributable to a steady income growth recorded in system integration solution services and digital television business services.

Profit attributable to the owners of the Company for the year amounted to HK$9.5 million (31 December 2009: HK$141.2 million). Profit for the year was mainly attributable to the profit derived from the continuing operations of HK$20.2 million and the profit derived from the disposal of high precision metal components business of HK$2.2 million, less loss derived from the discontinued traditional business of HK$13.6 million. The traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. As the profit margin of the traditional business was lower and recurring losses were noted, the Group decided to allocate and transfer the resources to other businesses with higher profit margin. The traditional business only recorded a turnover of HK$200,000 during the year and was classified as discontinued operation during the year. Profit for year 2009 was mainly attributable to the disposal of two subsidiaries which recognized a gain of approximately HK$208.8 million. The basic earnings per share from continuing and discontinued operations was HK0.44 cents (31 December 2009: HK6.87 cents). By excluding the discontinued operation, the basic earnings per share from continuing operations was HK0.98 cents (31 December 2009: HK0.54 cents (restated)).

As at 31 December 2010, the Group's equity attributable to the owners of the Company amounted to HK$1,249.7 million, representing an increase of HK$30.7 million over the audited figure as at 31 December 2009 of HK$1,219.0 million. The net asset value per share attributable to the owners of the Company as at 31 December 2010 was HK$0.58 (31 December 2009: HK$0.57).

**Digital Television Business Services**

During the year, the Group reorganized its digital television business services model by entering into several agreements and revising the income sharing right and income sharing model. In addition, during the year, the Group completed the acquisition of certain digital television equipment from Guangdong Southern Yinshi Network Media Company Limited and other local project companies, enabling us to provide more advanced digital television technology solutions. For relevant details, please refer to the circular of the Company dated 15 October 2010.

During the year, the Group, pursuant to the cooperative agreement it entered into, received technical service fee income amounting to approximately HK$156.1 million (31 December 2009: HK$85.3 million). The rise in service fee received was mainly due to the increasing number of new subscribers during the year and the Group provided more advanced digital television technology solutions by making use of the equipment newly acquired during the year.

The Group believes that the income from this business will grow consistently and can generate a rewarding return to the Group.

**System Integration Solution Services**

The system integration solution services have continued to generate a stable return for the Group. The turnover and operating profit of Sino Stride Technology (Holdings) Limited (hereinafter abbreviated as "SST") for the year ended 31 December 2010 amounted to HK$316.6 million (31 December 2009: HK$284.8 million) and HK$18.3 million (31 December 2009: HK$16.1 million) respectively.

During the year, the Group increased investment of HK$4,800,000 for acquisition of 31.5% interests in Concord Optic–Electronic Technology Co., Ltd. (originally an associate of the Group in which the Group has held 48.5% interests) with an aim to go in line with the rapid growth of the LED lighting industry in China and strive to develop the LED lighting business. The Group will continue to explore and develop the energy saving product business such as developing a series of energy saving products for the telecommunication industry. It is expected that this new opportunity will bring reasonable return to the Group in the future.

**Traditional Business – Discontinued Operation**

Traditional business comprises the trading and manufacture of telephone accessories, power cords, adaptors and electronic products. The turnover and the loss of traditional business for the year amounted to HK$200,000 (31 December 2009: HK$29.2 million) and HK$13.6 million (31 December 2009: HK$41.5 million) respectively. The loss incurred by traditional business during the year are mainly caused by the substantial decrease in turnover without corresponding decrease in overheads, the one-off compensation payment to laid-off employees, and the write-off made for inventories due to customs clearance or obsolescence. As the profit margin of traditional business was lower and recurring losses were recorded, the Group decided to allocate and transfer the resources to other businesses with higher profit margin. Traditional business only recorded a turnover of HK$200,000 during the year and was classified as discontinued operation. The management decided to lease out the properties located at Dongguan Factory in respect of the traditional business. Part of the properties has been leased out during the year and the management is liaising actively with prospective lessees for negotiation of the lease of the remaining properties.

**High Precision Metal Components Business – Discontinued Operation**

For the seven months from 1 January 2010 to 31 July 2010 (date of disposal of the business), the turnover and the profit of high precision metal components business amounted to HK$12,100,000 (for the twelve months ended 31 December 2009: HK$25,900,000) and HK$2,200,000 (for the twelve months ended 31 December 2009: HK$2,200,000) respectively.

On 31 July 2010, the Group completed the disposal of the entire equity interests in Hop Cheong Holdings Limited (hereinafter abbreviated as "Hop Cheong"). Prior to the disposal, Hop Cheong was a wholly-owned subsidiary of the Company. Hop Cheong is an investment holding company and the primary activities of its subsidiaries are manufacture and sale of high precision metal components. The consideration for the disposal amounted to approximately HK$10,400,000. Details of the transactions contemplated under the agreement were disclosed in the announcement dated 8 July 2010.

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

## PROSPECT

Through the disposal of Hop Cheong and the discontinuance of the traditional business, the Group has redeployed resources in digital television business and system integration solution services. Along with the accelerated implementation of the State's policy of "integration of the three networks", the Group will continue the remodeling of the existing television networks in Guangdong Province in future years, with an aim to reap income from digital television technology and value-added services through the provision of digital television technology solutions and network system equipment.

In addition, a subsidiary of the Group will focus on the development of cooling system for mobile telecommunication base station in the sphere of intelligent system business, providing a series of energy saving products to reduce system energy consumption. The Group has signed cooperation agreements with some domestic mobile network companies in relation to energy saving business, whereby the Group will provide energy-saving remodeling resolution and products in accordance with energy-saving requirements of the mobile network companies. The Group believes that the new energy-saving business will bring considerable return to the Group in the future.

## FINANCIAL RESOURCES AND LIQUIDITY

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

| | As at | |
|---|---|---|
| | **31 December 2010** | 31 December 2009 |
| | ***HK$'000*** | *HK$'000* |
| Total debt | | |
| – from banks | **795,960** | 526,667 |
| – from convertible loan notes | **441,203** | 395,025 |
| Sub-total | **1,237,163** | 921,692 |
| Cash and bank deposits | **210,318** | 408,475 |
| Net debt | **1,026,845** | 513,217 |
| Total capital (equity and total debt) | **2,486,834** | 2,140,645 |
| Total assets | **3,234,810** | 2,686,899 |
| Financial leverage | | |
| – net debt to total capital | **41.3%** | 24.0% |
| – net debt to total assets | **31.7%** | 19.1% |

## FINANCING ACTIVITIES

During the year, the Group had raised new bank borrowings of HK$443.9 million, which were bank loans with maturity within one year and were mainly used to provide working capital for the subsidiaries of the Group.

## FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The operation results of the Group might be affected by the volatility of Renminbi. The Group will review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 31 December 2010, there were no derivative financial instruments employed by the Group.

## CAPITAL STRUCTURE

As at 31 December 2010, the number of ordinary shares and issued share capital of the Company were approximately 2,142,100,000 (31 December 2009: 2,142,100,000) and HK$535.5 million (31 December 2009: HK$535.5 million).

## MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than those disclosed in the paragraph under "Business Review" above, the Group had no other material acquisition, disposal and significant investment during the year ended 31 December 2010.

## CONTINGENT LIABILITIES

As at 31 December 2010, the contingent liabilities of the Group were arisen from cross guarantees given by SST of HK$63,800,000 (31 December 2009: HK$46,330,000) for credit facilities granted to third parties, and the amount utilized was HK$47,560,000 (31 December 2009: HK$46,330,000).

## EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 492 employees as at 31 December 2010.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group and subsidiaries operate. The remuneration packages of the employees include salary, discretionary bonuses, pension schemes, medical subsidies and share options as part of their staff benefits.

## EVENT AFTER THE REPORTING PERIOD

On 3 March 2011, the Company entered into a subscription agreement with each of seven subscribers (the "Subscription Agreements") whereby the subscribers have agreed to subscribe and the Company has agreed to issue, convertible bonds (the "Bonds") in an aggregate principal amount of HK$360,000,000. The Bonds will expire on the third anniversary of the issue date of the Bonds. The Bonds carry interest of 1.5% per annum payable semi-annually and are redeemable at their principal amount on the maturity date by the Company. The bondholders have the rights to convert their Bonds into shares of the Company at any time during the conversion period at an initial conversion price of HK$0.45 per share (subject to adjustments in accordance with the terms of the Bonds). The completion of the subscription and issue of the Bonds was conditional upon (i) the approval of the Subscription Agreements and the transactions contemplated thereunder by the shareholders of the Company in a general meeting, which will be held on 1 April 2011; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval for the listing of, and permission to deal in, all the conversion shares of the Bonds (the "Listing Approval"). On 17 March 2011, the Stock Exchange has granted the conditional Listing Approval which is subject to fulfillment of other conditions of the Subscription Agreements.

## 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 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 2010. 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 2010 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
**Li Shaofeng**
*Chairman*

Hong Kong, 29 March 2011

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