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 2011

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 2011. 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 2011

	Notes	Six months ended 30 June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	**205,461**	185,660
Cost of sales		**(141,056)**	(114,778)
Gross profit		**64,405**	70,882
Other income, gains and losses		**10,945**	(2,433)
Decrease in fair value of held-for-trading investments		**(1,185)**	(2,698)
Gain on disposal of available-for-sale investments		**–**	83
Selling and distribution costs		**(3,880)**	(3,768)
Administrative expenses		**(50,736)**	(40,868)
Gain on disposal of a subsidiary		**–**	121
Gain on disposal of an associate		**2,894**	–
Gain on loss of significant influence of an associate		**2,154**	–
Gain on partial disposal of an associate		**–**	150
(Loss) gain on fair value change of the derivative components of convertible loan notes		**(9,794)**	38,389
Share of profit of associates		**–**	1,271
Finance costs	4	**(51,523)**	(41,840)
(Loss) profit before tax		**(36,720)**	19,289
Income tax (expense) credit	5	**(14,916)**	1,475
(Loss) profit for the period from continuing operations		**(51,636)**	20,764
Discontinued operations			
Loss for the period from discontinued operations		**–**	(15,014)
(Loss) profit for the period	6	**(51,636)**	5,750
Other comprehensive income			
Exchange difference on translation			
Share of translation difference of associates		**138**	162
Exchange difference arising during the period		**30,195**	553
Reclassification adjustment upon disposal of an associate		**(289)**	–
Reclassification adjustment upon partial disposal of an associate		**–**	(32)

	Note	Six months ended 30 June **2011** ***HK$'000*** **(unaudited)**	2010 *HK$'000* (unaudited) (restated)
Available-for-sale investments			
Share of revaluation of available-for-sale investments held by associates		**–**	5,307
Reclassification adjustment upon disposal of an associate		**2,090**	–
Reclassification adjustment upon loss of significant influence of an associate		**(2,154)**	–
Reclassification adjustment upon partial disposal of an associate		**–**	(1,024)
Revaluation of property			
Gain on revaluation upon transfer from property, plant and equipment to investment properties		**2,902**	–
Deferred tax upon transfer from property, plant and equipment to investment properties		**(436)**	–
Other comprehensive income for the period (net of tax)		**32,446**	4,966
Total comprehensive (expense) income for the period		**(19,190)**	10,716
(Loss) profit for the period attributable to:			
Owners of the Company		**(51,647)**	4,762
Non-controlling interests		**11**	988
		(51,636)	5,750
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(20,767)**	9,597
Non-controlling interests		**1,577**	1,119
		(19,190)	10,716
(Loss) earnings per share	*7*		
From continuing and discontinued operations			
Basic		**HK(2.41) cents**	HK0.22 cents
Diluted		**HK(2.41) cents**	HK(0.33) cents
From continuing operations			
Basic		**HK(2.41) cents**	HK0.92 cents
Diluted		**HK(2.41) cents**	HK0.23 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	Note	**30 June 2011 *HK$'000* (unaudited)**	31 December 2010 *HK$'000* (audited)
NON-CURRENT ASSETS			
Investment properties		**109,266**	95,660
Property, plant and equipment		**696,047**	708,318
Prepaid lease payments		**2,410**	2,452
Goodwill		**198,440**	197,512
Intangible assets		**410,811**	406,695
Deposits paid for acquisition of equipment		**199,156**	169,275
Deposit paid for acquisition of a property		**42,000**	40,600
Investments in associates		**6,527**	68,758
Available-for-sale investments		**67,773**	8,120
Club debentures		**700**	700
Deferred tax assets		**8,127**	5,283
		1,741,257	1,703,373
CURRENT ASSETS			
Prepaid lease payments		**84**	84
Inventories		**20,612**	17,695
Trade receivables	*8*	**287,666**	243,850
Prepayments, deposits and other receivables		**401,088**	410,057
Held-for-trading investments		**2,856**	8,621
Amounts due from customers for contract work		**379,396**	383,969
Amount due from an associate		**–**	9,976
Tax recoverable		**1,725**	1,725
Pledged bank deposits		**491,274**	245,142
Bank balances and cash		**71,130**	210,318
		1,655,831	1,531,437
Assets classified as held for sale		**7,135**	–
		1,662,966	1,531,437

	Note	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	9	**237,705**	246,357
Other payables, deposits received and accruals		**305,593**	237,888
Provision		**6,758**	7,643
Amounts due to customers for contract work		**15,865**	25,598
Tax liabilities		**42,484**	26,132
Bank borrowings – due within one year		**733,846**	466,520
Convertible loan notes		**75,119**	441,203
Embedded derivative components of convertible loan notes		**24,568**	28,490
		1,441,938	1,479,831
NET CURRENT ASSETS		**221,028**	51,606
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,962,285**	1,754,979
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**301,200**	329,440
Convertible loan notes		**253,123**	–
Embedded derivative components of convertible loan notes		**128,022**	–
Other payables		**–**	125,280
Deferred tax liabilities		**3,230**	4,359
		685,575	459,079
NET ASSETS		**1,276,710**	1,295,900
CAPITAL AND RESERVES			
Share capital		**535,535**	535,535
Reserves		**693,369**	714,136
Equity attributable to owners of the Company		**1,228,904**	1,249,671
Non-controlling interests		**47,806**	46,229
TOTAL EQUITY		**1,276,710**	1,295,900

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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group applied the following accounting policy in the current interim period.

Loss of significant influence of an associate with retained investment as an available-for-sale investment

Upon losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on loss of significant influence of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

In addition, in the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The application of the new or revised HKFRSs in the current interim period has had no material effect on the result and financial position of the Group.

The Group has applied HKAS 24 *Related Party Disclosures* (as revised in 2009) in full for the first time in the current period. The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following two aspects:

(a) The Group is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances with (a) the government that has significant influence over the Group and (b) other entities that are controlled, jointly controlled, significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

(b) In addition, HKAS 24 (as revised in 2009) has revised the definition of a related party.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. However, the related party disclosures have been changed to reflect the application of HKAS 24 (as revised in 2009).

The Group has not early applied the following new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance are not yet effective.

HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of the Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the above new and revised standards and amendments will have no material impact on the condensed consolidated financial statements.

3. 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 and services delivered or provided. The Group's reportable and operating segments are as follows:

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

- 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, leasing of investment properties and sale of light emitted diode products.

In the prior interim period, printed circuit boards business was reviewed separately by the CODM and constituted a separable and an operating segment of the Group. In the second half of 2010, CODM decided to combine and review reportable and operating segment information of "printed circuit boards" and "others" as a single reportable and operating segment. The segment information in respect of "others" for the period ended 30 June 2010 has been restated to conform to the presentation of segment reporting already adopted in the annual financial statements for the year ended 31 December 2010.

In addition, the high precision metal components business operation was discontinued in July 2010. As a result, the comparative figures of segment information for the period ended 30 June 2010 have been restated.

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

Six months ended 30 June 2011 (unaudited)

Continuing operations

	DTV technical solutions and equipment business *HK$'000*	**Intelligent information business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
SEGMENT REVENUE				
External sales	**103,371**	**100,540**	**1,550**	**205,461**
Segment profit (loss)	**35,567**	**13,578**	**(27,805)**	**21,340**
Unallocated income				**1,015**
Unallocated expense				**(1,621)**
Decrease in fair value of held-for-trading investments				**(1,185)**
Loss on fair value change of the derivative components of convertible loan notes				**(9,794)**
Gain on disposal of an associate				**2,894**
Gain on loss of significant influence of an associate				**2,154**
Finance costs				**(51,523)**
Loss before tax (continuing operations)				**(36,720)**

Six months ended 30 June 2010 (unaudited)

Continuing operations

	DTV technical solutions and equipment business *HK$'000*	Intelligent information business *HK$'000*	Others *HK$'000* (restated)	Total *HK$'000* (restated)
SEGMENT REVENUE				
External sales	49,943	135,020	697	185,660
Segment profit (loss)	29,212	9,192	(15,391)	23,013
Unallocated income				4,575
Unallocated expense				(3,775)
Decrease in fair value of held-for-trading investments				(2,698)
Gain on fair value change of the derivative components of convertible loan notes				38,389
Gain on disposal of available-for-sale investments				83
Gain on disposal of a subsidiary				121
Gain on partial disposal of an associate				150
Share of profit of associates				1,271
Finance costs				(41,840)
Profit before tax (continuing operations)				19,289

Since the last annual reporting date, there has been no material change in segment assets.

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest on:		
Convertible loan notes	**30,248**	27,028
Bank borrowings wholly repayable within five years	**21,275**	14,812
	51,523	41,840

5. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Current tax:		
Hong Kong	**–**	–
Other regions in the People's Republic of China (the "PRC")	**19,118**	872
	19,118	872
Deferred tax	**(4,202)**	(2,347)
Income tax expense (credit)	**14,916**	(1,475)

The income tax expense (credit) is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used for the period ended 30 June 2011 ranged from 12.5% to 25% (2010: 15%) for the period under review. The relevant tax rates for the Group's subsidiaries ranged from 12.5% to 25% for the six months ended 30 June 2011 and 2010.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June 2011	Six months ended 30 June 2010		
	Continuing operations	Continuing operations	Discontinued operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited) (restated)	(unaudited) (restated)	(unaudited) (restated)
(Loss) profit for the period has been arrived at after (crediting) charging the following items:				
Revenue *(note 3)*	**(205,461)**	(185,660)	(10,566)	(196,226)
Cost of sales	**141,056**	114,778	24,547	139,325
Interest income from deposit paid for acquisition of a property*	**(1,959)**	(1,662)	–	(1,662)
Interest income from bank deposits*	**(4,312)**	(255)	–	(255)
Release of prepaid lease payments	**42**	11	31	42
Amortisation of intangible assets (included in cost of sales)	**11,219**	4,043	–	4,043
Depreciation of property, plant and equipment	**45,404**	3,737	2,088	5,825
Total depreciation and amortisation	**56,665**	7,791	2,119	9,910
Loss (gain) on disposal of property, plant and equipment*	**58**	(45)	–	(45)
Fair value changes on investment properties	**–**	(59)	–	(59)
Finance costs *(note 4)*	**51,523**	41,840	2	41,842
Impairment loss recognised in respect of intangible assets*	**631**	2,274	–	2,274
Impairment loss recognised in respect of other receivable*	**1,621**	3,775	–	3,775
Impairment loss recognised in respect of inventories	**–**	–	1,141	1,141
(Reversal) recognition of impairment loss in respect of trade receivables *(note a)**	**(2,182)**	3,722	208	3,930
Reversal of impairment loss recognised in respect of amounts due from customers for contract works *(note b)**	**(1,705)**	(2,226)	–	(2,226)

* Reported in other income, gains and losses account.

Note a: The amount represented the impairment loss recognised on trade receivables which the directors considered the amounts were uncollectible, and the reversal of impairment loss previously recognised on trade receivables which were collected in current period.

Note b: The amount represents the reversal of impairment loss previously recognised on amounts due from customers for contract work which the directors considered further progress billing exceeds the carrying value of the corresponding contract costs incurred to date plus recognised profits less recognised losses.

7. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	**(51,647)**	4,762
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**–**	27,028
Gain on fair value change of the derivative components of convertible loan notes	**–**	(38,389)
Deferred tax on convertible loan notes	**–**	(2,347)
Loss for the purpose of diluted loss per share	**(51,647)**	(8,946)

	2011	2010
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,142,141**	2,142,141
Effect of dilutive potential ordinary shares:		
– share options	**–**	5,030
– convertible loan notes	**–**	543,750
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,142,141**	2,690,921

The diluted loss per share from continuing and discontinued operations for the period ended 30 June 2011 does not assume (1) the conversion of the Company's outstanding convertible loan notes issued which could result in a decrease in loss per share; and (2) the exercise of the Company's outstanding share options since the exercise prices of these share options are higher than the average market price of the Company's share.

From continuing operations

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the period attributable to the owners of the Company	**(51,647)**	4,762
Less: Loss for the period from discontinued operations attributable to the owners of the Company	**–**	15,008
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations attributable to the owners of the Company	**(51,647)**	19,770
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**–**	27,028
Gain on fair value change of the derivative components of convertible loan notes	**–**	(38,389)
Deferred tax on convertible loan notes	**–**	(2,347)
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	**(51,647)**	6,062

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

8. TRADE 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. Each customer has a designated credit limit.

The following is an analysis of trade receivables by age, presented based on the invoice date, and net of allowance for doubtful debts.

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**78,563**	202,813
91– 180 days	**72,172**	27,707
181 – 365 days	**130,517**	10,659
1 – 2 years	**4,556**	2,671
Over 2 years	**1,858**	–
	287,666	243,850

9. **TRADE AND BILLS PAYABLES**

The following is an analysis of trade and bills payables by ages, presented based on the invoice date.

	30 June 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
0 – 90 days	**77,907**	215,278
91 –180 days	**50,549**	22,559
181 – 365 days	**104,948**	4,471
1 – 2 years	**10**	–
Over 2 years	**4,291**	4,049
	237,705	246,357

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover from the continuing operations for the six months ended 30 June 2011 amounted to HK$205.5 million (for the six months ended 30 June 2010: HK$185.7 million (restated)), representing an increase of 11% over the corresponding period of the previous year. The increase in turnover was attributable to a steady income stream recorded in system integration solution services and growing income stream from digital television business services.

Loss attributable to the owners of the Company for the period amounted to HK$51.6 million (for the six months ended 30 June 2010: profit of HK$4.8 million). Loss for the period was solely attributable to continuing operations while profit for the six months ended 30 June 2010 was mainly attributable to the profit derived from continuing operations of HK$20.8 million, less loss derived from discontinued operations of HK$15.0 million (restated). The basic loss per share of the Group for the six months ended 30 June 2011 was HK2.41 cents (for the six months ended 30 June 2010: profit of HK0.22 cents). By excluding the discontinued operations of 2010, the basic loss per share from continuing operations for the six months ended 30 June 2010 was HK0.92 cents (restated).

As at 30 June 2011, the Group's equity attributable to the owners of the Company amounted to HK$1,228.9 million, representing a decrease of HK$20.8 million over the audited figure as at 31 December 2010 of HK$1,249.7 million. The net asset value per share attributable to the owners of the Company as at 30 June 2011 was HK$0.57 (31 December 2010: HK$0.58).

Digital Television Business Services

For the six months ended 30 June 2011, the Group, pursuant to the cooperative agreement it had entered into in the second half of 2010, received technical service fee income amounting to approximately HK$98.7 million (six months ended 30 June 2010: HK$47.6 million). The rise in service fee income received was mainly due to the reorganization of the digital television business which results in the change of income sharing model and contributes to the increase of income. Besides, the increasing number of new subscribers during the period and the provision of more advanced digital television technology solutions by the Group through making use of more advanced equipment newly acquired contribute to the overall increase in technical service fee income.

The Group believes that the income from this business will continue to grow and 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 the system integration solution services for the six months ended 30 June 2011 amounted to HK$100.5 million (six months ended 30 June 2010: HK$135.0 million) and HK$13.6 million (six months ended 30 June 2010: HK$9.2 million) respectively.

During the period, the Group invested approximately HK$1.8 million for acquisition of 15% equity interest in 浙江世紀協和節能科技有限公司 with an aim to go in line with the rapid growth of the energy saving and environmental protection advocating industry in China and strive to develop the energy saving 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.

PROSPECT

Through the resources integration and effective management, 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 as well as continuously developing energy saving equipment. 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 solution 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 30 June 2011, as compared to 31 December 2010 is summarized below:

	As at	
	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
Total debt		
– from bank	**1,035,046**	795,960
– from convertible loan notes	**328,242**	441,203
Sub-total	**1,363,288**	1,237,163
Cash and bank deposits	**71,130**	210,318
Net debt	**1,292,158**	1,026,845
Total capital (equity and total debt)	**2,592,192**	2,486,834
Total assets	**3,404,223**	3,234,810
Financial leverage		
– net debt to total capital	**49.8%**	41.3%
– net debt to total assets	**38.0%**	31.7%

FINANCING ACTIVITIES

During the period, the Group has raised new borrowings of HK$398.8 million, which were bank loans matured within one year and were mainly used to provide working capital for the subsidiaries of the Group. Besides, the Group has issued new convertible loan notes with an aggregate principal amount of HK$360.0 million, which were mainly used to repay the convertible loan notes with an aggregate principal amount of HK$385.0 million due in April 2011.

FOREIGN EXCHANGE EXPOSURE

The ordinary 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 may be affected by the volatility of Renminbi. The Group will review its foreign exchange exposure regularly and may consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 30 June 2011, there were no derivative financial instruments employed by the Group.

CAPITAL STRUCTURE

As at 30 June 2011, the number of ordinary shares in issue and the issued share capital of the Company were 2,142,141,179 (31 December 2010: 2,142,141,179) and approximately HK$535.5 million (31 December 2010: HK$535.5 million) respectively.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than those disclosed in the paragraph under “Business Review” above, the Group had no other material acquisition, disposals and significant investment during the six months ended 30 June 2011.

CONTINGENT LIABILITIES

As at 30 June 2011, the contingent liabilities of the Group were arisen from cross guarantees given by a subsidiary of the Group of HK$54,000,000 (31 December 2010: HK$63,800,000) for credit facilities granted to third parties, of which HK$49,200,000 (31 December 2010: HK$47,560,000) was utilised.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 333 employees as at 30 June 2011.

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 basic salaries, allowances, pension schemes, discretionary bonuses and share options.

EVENTS AFTER THE END OF THE INTERIM PERIOD

On 21 June 2011, the Group entered into an agreement for lease (the “Lease”) with an independent third party (the “Assignee”) to assign certain of the Group’s leasehold land and buildings, with a carrying amount of HK$7,135,000, at a consideration of HK$55,000,000. The assets were sold within twelve months from the end of the reporting period and thus are classified as assets held for sale as at 30 June 2011 and separately presented in the condensed consolidated statement of financial position. The Group estimated the gain on disposal to be approximately HK$38,000,000 after deducting the transaction costs of approximately HK$10,321,000.

In May 2011, the Group entered into an agreement with Remarkable Mask Technology Company Limited (“Remarkable”), previously an indirect wholly-owned subsidiary of the Company, for the purchase of certain equipment (the “Equipment”) from Remarkable, at a consideration of HK$28,000,000. The disposal of the Equipment by Remarkable is subject to the completion of the Lease.

Upon completion of the Lease on 22 July 2011, the Group disposed the Equipment to the Assignee at a consideration of HK$28,880,000.

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 2011.

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
Li Shaofeng
Chairman

Hong Kong, 26 August 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).