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 2012

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 2012. 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 2012

	Notes	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	**103,326**	106,714
Cost of sales		**(84,056)**	(82,028)
Gross profit		**19,270**	24,686
Other income		**4,144**	6,256
Other gains and losses	4	**(23,700)**	(1,962)
Selling and distribution costs		**(4,705)**	(3,880)
Administrative expenses		**(40,272)**	(47,948)
Finance costs	5	**(45,196)**	(39,620)
Loss before tax		**(90,459)**	(62,468)
Income tax credit (expense)	6	**595**	(104)
Loss for the period from continuing operations		**(89,864)**	(62,572)
Discontinued operations			
(Loss) profit for the period from discontinued operations		**(57,990)**	10,936
Loss for the period	7	**(147,854)**	(51,636)
Other comprehensive income			
Exchange difference arising on translation			
Exchange difference arising during the period		**–**	30,195
Share of translation difference of associates		**–**	138
Reclassification adjustment upon disposal of an associate		**–**	(289)
Available-for-sale investments			
Reclassification adjustment upon disposal of an associate		**–**	2,090
Reclassification adjustment upon loss of significant influence of an associate		**–**	(2,154)
Fair value loss during the period		**(12,441)**	–
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments		**12,441**	–
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		**–**	32,446
Total comprehensive expense for the period		**(147,854)**	(19,190)

	Note	Six months ended 30 June **2012** *HK$'000* **(unaudited)**	2011 *HK$'000* (unaudited) (restated)
(Loss) profit for the period attributable to the owners of the Company			
– Loss for the period from continuing operations		**(85,809)**	(62,583)
– (Loss) profit for the period from discontinued operations		**(57,990)**	10,936
Loss for the period attributable to the owners of the Company		**(143,799)**	(51,647)
(Loss) profit for the period attributable to non-controlling interests		**(4,055)**	11
(Loss) profit for the period attributable to:			
Owners of the Company		**(143,799)**	(51,647)
Non-controlling interests		**(4,055)**	11
		(147,854)	(51,636)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(143,799)**	(20,767)
Non-controlling interests		**(4,055)**	1,577
		(147,854)	(19,190)
Loss per share	8		
From continuing and discontinued operations			
Basic		**HK(6.41) cents**	HK(2.41) cents
Diluted		**HK(6.41) cents**	HK(2.41) cents
From continuing operations			
Basic		**HK(3.83) cents**	HK(2.92) cents
Diluted		**HK(3.83) cents**	HK(2.92) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2012

	Notes	**30 June 2012 *HK$'000* (unaudited)**	31 December 2011 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**15,515**	16,163
Goodwill		**70,000**	74,668
Intangible assets		**7,518**	8,841
Deposit paid for acquisition of a property		**43,050**	43,050
Investments in associates		**2,460**	6,690
Available-for-sale investments		**41,776**	54,217
Club debentures		**700**	700
Deferred tax assets		**10,579**	9,871
		191,598	214,200
CURRENT ASSETS			
Inventories		**29,238**	23,894
Trade and bills receivables	9	**100,238**	112,247
Prepayments, deposits and other receivables		**151,725**	304,704
Held-for-trading investments		**1,623**	2,490
Amounts due from customers for contract work		**403,404**	419,773
Tax recoverable		**1,711**	1,711
Pledged bank deposits		**270,699**	333,106
Bank balances and cash		**94,119**	118,870
		1,052,757	1,316,795
Disposal groups classified as held-for-sale		**1,606,054**	1,549,304
		2,658,811	2,866,099
CURRENT LIABILITIES			
Trade and bills payables	10	**186,665**	198,710
Other payables, deposits received and accruals		**54,779**	55,739
Amounts due to customers for contract work		**1,770**	1,770
Tax liabilities		**7,312**	11,685
Borrowings – due within one year		**524,924**	609,641
Convertible loan notes		**100,101**	87,626
Embedded derivative component of convertible loan notes		**18,289**	19,444
		893,840	984,615
Liabilities associated with disposal groups classified as held-for-sale		**545,793**	555,999
		1,439,633	1,540,614
NET CURRENT ASSETS		**1,219,178**	1,325,485
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,410,776**	1,539,685

	30 June 2012 *HK$'000* (unaudited)	31 December 2011 *HK$'000* (audited)
NON-CURRENT LIABILITIES		
Convertible loan notes	**253,444**	235,812
Embedded derivative component of convertible loan notes	**45,436**	44,123
	298,880	279,935
NET ASSETS	**1,111,896**	1,259,750
CAPITAL AND RESERVES		
Share capital	**560,535**	560,535
Reserves	**495,300**	616,111
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale	**6,048**	29,036
Equity attributable to owners of the Company	**1,061,883**	1,205,682
Non-controlling interests	**50,013**	54,068
TOTAL EQUITY	**1,111,896**	1,259,750

Notes:

1. **BASIS OF PREPARATION**

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

On 23 December 2011, the Group entered into a sale agreement to dispose of its entire interest in South China Digital TV Holdings Limited, Yang Jiang Shi Yang Chun Yijiatong Information Technology Company Limited, Guangzhou Yijiatong Integrative Information Development Company Limited, South China Digital Equipment Company Limited, and South China DTV Technology Development Limited ("Disposal Group") in relation to digital television ("DTV") technical solution and equipment business (the "DTV business") to an independent third party at a total proceeds of HK$1,350 million. The Disposal Group is the wholly-owned subsidiaries of the Group, which carried out all of the Group's DTV business. On 29 February 2012, the Group signed a supplemental agreement to revise the total proceeds from HK$1,350 million to HK$1,420 million. The disposal is expected to be completed before 31 December 2012 upon approval by shareholders of Guangdong Southern Yinshi Network Media Company Limited as disclosed in the announcement of the Company made on 29 June 2012.

The assets and liabilities attributable to the DTV business have been classified as a disposal group held-for-sale and are presented separately in the condensed consolidated statement of financial position as the management considered that the sale is highly probable and the business is available for immediate sale as at 30 June 2012 and 31 December 2011 and DTV business has been classified as a disposal group held-for-sale in the preparation of the consolidated financial statements for the year ended 31 December 2011. As such, the profit for six months ended 30 June 2012 from the DTV business has been presented as profit for the period from discontinued operations and is presented separately in the condensed consolidated statement of comprehensive income. The comparative figures of the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 have been restated to reflect the discontinuance of the DTV business.

2. **PRINCIPAL ACCOUNTING POLICIES**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants:

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and

- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*.

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the deferred taxes shall reflect the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of the investment properties.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker, being the Managing Director of the Company, 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 are as follows:

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

- Others – Provision of management services, leasing of investment properties and sales of light emitted diode products. At 31 December 2011, assets and liabilities relating to leasing of investment properties were classified as disposal group held-for-sale.

In 2011, a reportable and operating segment namely "DTV technical solutions and equipment business" was classified as disposal group held-for-sale and included in discontinued operations as described in note 1. The segment information reported below does not include any amounts for these discontinued operations. In the current interim period, the Group disposed of assets and liabilities relating to leasing of investment properties which were classified as disposed group held-for-sale under "Others" operating segment as at 31 December 2011. Other than this, there is no material change in the amounts of segment assets from 31 December 2011.

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 2012 (unaudited)

Continuing operations

	Intelligent information business *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
SEGMENT REVENUE			
External sales	99,467	3,859	103,326
Segment loss	(8,428)	(12,043)	(20,471)
Unallocated income			4,309
Unallocated expense			(16,101)
Decrease in fair value of held-for-trading investments			(100)
Impairment loss recognised in respect of available-for-sale investments			(12,441)
Loss on fair value change of the derivative components of convertible loan notes			(158)
Loss on disposal of subsidiaries			(301)
Finance costs			(45,196)
Loss before tax (continuing operations)			(90,459)

Six months ended 30 June 2011 (unaudited)

Continuing operations

	Intelligent information business *HK$'000*	Others *HK$'000*	Total *HK$'000* (restated)
SEGMENT REVENUE			
External sales	100,540	6,174	106,714
Segment profit (loss)	13,578	(10,320)	3,258
Unallocated income			4,697
Unallocated expense			(24,872)
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			(39,620)
Loss before tax (continuing operations)			(62,468)

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Decrease in fair value of held-for-trading investments	**(100)**	(1,185)
Gain on disposal of an associate	**–**	2,894
Gain on loss of significant influence of an associate	**–**	2,154
Loss on disposal of subsidiaries	**(301)**	–
Loss on fair value change of the derivative components of convertible loan notes	**(158)**	(9,794)
Impairment loss on goodwill	**(4,668)**	–
Impairment loss recognised in respect of intangible assets	**–**	(631)
Impairment loss recognised in respect of other receivables	**(3,918)**	(1,621)
Impairment loss recognised (reversed) in respect of trade receivables	**(608)**	2,182
Impairment loss recognised in respect of available-for-sale investments	**(12,441)**	–
Others	**(1,506)**	4,039
	(23,700)	(1,962)

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest on:		
Convertible loan notes	**30,220**	30,248
Bank borrowings wholly repayable within five years	**11,807**	9,372
Loan from a related company	**2,787**	–
Loan from a shareholder	**33**	–
Loan from a third party	**349**	–
	45,196	39,620

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Current tax:		
Hong Kong	**21**	–
People's Republic of China Enterprise Income Tax	**92**	4,306
	113	4,306
Deferred tax	**(708)**	(4,202)
Income tax (credit) expense	**(595)**	104

The income tax (credit) expense 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 six months ended 30 June 2012 is 25% (2011: ranged from 12.5% to 25%) for the period under review. The relevant tax rate for the Group's subsidiaries was 25% for the six months ended 30 June 2012 (2011: ranged from 12.5% to 25%).

7. LOSS FOR THE PERIOD

	Six months ended 30 June **2012** *HK$'000* (unaudited)	2011 *HK$'000* (unaudited) (restated)
Continuing operations		
Loss for the period has been arrived at after charging:		
Release of prepaid lease payments	**–**	42
Amortisation of intangible assets	**1,323**	952
Depreciation of property, plant and equipment	**2,067**	8,859
Total depreciation and amortisation	**3,390**	9,811

8. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June **2012** *HK$'000* (unaudited)	2011 *HK$'000* (unaudited) (restated)
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	**143,799**	51,647

	2012 *'000*	2011 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,242,141**	2,142,141

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted loss per share from the continuing and discontinued operations because they are antidilutive in calculating the diluted loss per share from continuing and discontinued operations.

From continuing operations

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

	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited) (restated)
Loss figures are calculated as follows:		
Loss for the period attributable to the owners of the Company	**143,799**	51,647
Less: Loss (profit) for the period from discontinued operations attributable to the owners of the Company	**57,990**	(10,936)
Loss for the purposes of basic and diluted loss per share from continuing operations	**85,809**	62,583

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

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted loss per share from continuing operations because they are antidilutive in calculating the diluted loss per share from continuing operations.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK2.58 cents per share (2011: earning of HK0.51 cents per share (restated)).

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

	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited) (restated)
Loss (profit) for the purposes of basic and diluted loss per share attributable to owners of the Company	**57,990**	(10,936)

9. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable in the range of 90 days to 2 years 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 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**31,702**	48,889
91 – 180 days	**16,084**	13,594
181 – 365 days	**10,831**	8,168
1 – 2 years	**38,147**	38,026
Over 2 years	**3,474**	3,570
	100,238	112,247

10. TRADE AND BILLS PAYABLES

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**43,810**	90,069
91 – 180 days	**6,830**	15,288
181 – 365 days	**39,488**	14,238
1 – 2 years	**94,508**	77,188
Over 2 years	**2,029**	1,927
	186,665	198,710

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover from continuing operations for the six months ended 30 June 2012 amounted to HK$103.3 million (six months ended 30 June 2011: HK$106.7 million (restated)). Loss attributable to the owners of the Company for the period amounted to HK$143.8 million (six months ended 30 June 2011: HK$51.6 million), analyzed as follow:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
		(restated)
Loss from continuing operations	**(85,809)**	(62,583)
Profit from discontinued digital television business operations	**–**	10,936
Loss from photomask operations disposed in 2009	**(57,990)**	–
Loss attributable to the owners of the Company for the period	**(143,799)**	(51,647)

The loss from photomask operations of HK$58.0 million was in connection with delivery of photomask machinery pursuant to the agreement entered into by the Group, and announced by the Company on 27 April 2009 for disposal of Remarkable Mask Technology Company Limited.

Basic (loss) earnings per share of the Group are as follows:

	Six months ended 30 June	
	2012	2011
	HK cents	*HK cents*
		(restated)
Basic loss per share from continuing operations	**(3.83)**	(2.92)
Basic (loss) earnings per share from discontinued operations	**(2.58)**	0.51
Basic loss per share from continuing and discontinued operations of the Group	**(6.41)**	(2.41)

As at 30 June 2012, the Group's equity attributable to the owners of the Company amounted to HK$1,061.9 million, representing a decrease of HK$143.8 million over the figure as at 31 December 2011 of HK$1,205.7 million. The net assets value per share attributable to the owners of the Company as at 30 June 2012 was HK$0.47 (31 December 2011: HK$0.54).

SEGMENT INFORMATION

Digital Television Business Services

The digital television business of the Group was classified as discontinued operation in 2011, so the Group did not recognize technical service fee income (six months ended 30 June 2011: HK$98.7 million) and profit from related business (six months ended 30 June 2011: HK$10.9 million) in the period.

The disposal of digital television business is expected to be completed within 2012. After the completion of the disposal, the Company's remaining business would be intelligent information business. With the Company's exit from the digital television business as a result of the disposal, the Company will actively explore new businesses for investments and developments to maximize return to shareholders in the future.

Intelligent Information Business

Intelligent information business represents the development and provision of system integration solutions, system design and sales of system hardware. The intelligent information business has continued to generate a stable return for the Group. The turnover and operating loss of the intelligent information business during the period amounted to HK$99.5 million (six months ended 30 June 2011: HK$100.5 million) and HK$8.4 million (six months ended 30 June 2011: operating profit of HK$13.6 million) respectively. During the period, the Group undertook a number of large-scale intelligent building projects to develop its business, and the business is expected to post a sustainable growth in the long run.

During the previous year, the Group invested HK$1.8 million for the 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.

Others

It represents the provision of management services, leasing of investment properties and sales of light emitted diode products. During the period, the turnover and operating loss amounted to HK$3.9 million (six months ended 30 June 2011: HK$1.6 million (restated)) and HK$12.0 million (six months ended 30 June 2011: HK$10.3 million (restated)) respectively.

PROSPECT

Through the resources integration after the disposal of digital television business, the Group will redeploy resources in intelligent information business. The Group will also actively explore new businesses for investments and development to maximize return to shareholders in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The financial leverage of the Group as at 30 June 2012, as compared to 31 December 2011 is summarized below:

	As at	
	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Total debt		
– from bank	**408,524**	516,111
– from convertible loan notes	**353,545**	323,438
– from a related company, a shareholder and a third party	**116,400**	93,530
Sub-total	**878,469**	933,079
Pledged bank deposits	**(270,699)**	(333,106)
Cash and bank deposits	**(94,119)**	(118,870)
Net debt	**513,651**	481,103
Total capital (equity and total debt)	**1,940,352**	2,138,761
Total assets	**2,850,409**	3,080,299
Financial leverage		
– net debt to total capital	**26.5%**	22.5%
– net debt to total assets	**18.0%**	15.6%

FINANCING ACTIVITIES

During the period, the Group has raised new borrowings of HK$464.3 million from banks and a related company of HK$367.9 million and HK$116.4 million respectively, to provide working capital for the Group.

CAPITAL STRUCTURE

As at 30 June 2012, the number of shares in issue and issued share capital of the Company were 2,242,141,179 (31 December 2011: 2,242,141,179) and approximately HK$560.5 million (31 December 2011: HK$560.5 million) respectively.

CHARGE ON ASSETS

As at 30 June 2012, assets pledged to banks to secure banking facilities (including bank borrowings and bills payables) granted to the Group are as follow:

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Investment properties	**40,794**	40,794
Buildings	**11,160**	11,160
Bank deposits	**277,921**	341,390
Bills receivables	**7,257**	2,460
Totals	**337,132**	395,804

As at 30 June 2012, among assets pledged, investment properties of HK$40.8 million (31 December 2011: HK$40.8 million), buildings of HK$11.2 million (31 December 2011: HK$11.2 million), and pledged bank deposits of HK$7.2 million (31 December 2011: HK$8.3 million) were classified as disposal group held-for-sale.

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 2012, there were no derivative financial instruments employed by the Group.

MATERIAL ACQUISITION, DISPOSALS, SIGNIFICANT INVESTMENT AND FUTURE PLANS OF MATERIAL INVESTMENT

During the period, the Group completed the disposal of its entire interest in Santai Electronics Limited and Aberdeen Investments Limited at a total consideration of RMB53 million, and the relevant disposal consideration was fully received during the period. Santai Electronics Limited and Aberdeen Investments Limited are principally engaged in property investment. The disposals would streamline the Group's businesses and would enable a deployment of richer resources on operations which would generate higher returns and/or are possessed with higher potential.

Moreover, the Group has entered into a sales agreement with a purchaser on 23 December 2011, to dispose of the digital television business of the Group, which is expected to be completed within 2012. Upon completion of the disposal, the remaining business of the Company will be development and provision of system integration solutions, system design and sales of system hardware. With the Company's exit from the digital television business as a result of the disposal, the Company will actively explore new businesses for investments and developments to maximize return to shareholders in the future.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2012.

CONTINGENT LIABILITIES

As at 30 June 2012, the contingent liabilities of the Group were arisen from cross guarantees given by a subsidiary of RMB35 million (31 December 2011: RMB45 million) for credit facilities granted to a third party, and the amount utilized was RMB35 million (31 December 2011: RMB41 million).

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 326 employees as at 30 June 2012.

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

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 AND CORPORATE GOVERNANCE CODE

The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012. The Company has complied with the code provisions of the Former Code during the period from 1 January 2012 to 31 March 2012 and the Revised Code during the period from 1 April 2012 to 30 June 2012, except for the following deviation:

– Under code provision A.6.7 of the Revised Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

  One non-executive director and two of the independent non-executive directors of the Company attended the annual general meeting of the Company held on 25 May 2012 (the "Meeting"). One out of the two non-executive directors and one out of the three independent non-executive directors of the Company did not attend the Meeting due to other business engagements. The Company considers that the non-executive director and the independent non-executive directors in attendance at the Meeting were already of sufficient number and calibre of forming a balanced understanding of the views of the shareholders of the Company.

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, 28 August 2012

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. 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).