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 2013 AND RESIGNATION OF DIRECTOR AND LIST OF DIRECTORS AND THEIR ROLES AND FUNCTIONS

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 2013. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	NOTES	Six months ended 30 June 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Continuing operations			
Revenue	3	**95,759**	103,326
Cost of sales		**(81,023)**	(84,056)
Gross profit		**14,736**	19,270
Other income		**6,490**	4,144
Other expenses		**(6,853)**	–
Other gains and losses	4	**(72,246)**	(23,700)
Selling and distribution costs		**(3,276)**	(4,705)
Administrative expenses		**(33,866)**	(40,272)
Finance costs		**(34,244)**	(45,196)
Loss before tax		**(129,259)**	(90,459)
Income tax (expense) credit	5	**(10,556)**	595
Loss for the period from continuing operations		**(139,815)**	(89,864)
Discontinued operations			
Loss for the period from discontinued operations	6	**(74,343)**	(57,990)
Loss for the period	7	**(214,158)**	(147,854)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation			
Exchange difference on translation of financial statements from functional currency to presentation currency		**38,306**	–
Share of exchange differences of associates		**62**	–
		38,368	–
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale investments			
Fair value loss on available-for-sale investments		**(15,793)**	(12,441)
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments		**15,793**	12,441
		–	–
Other comprehensive income for the period		**38,368**	–
Total comprehensive expense for the period		**(175,790)**	(147,854)

	NOTE	Six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited)
Loss for the period attributable to:			
Loss for the period attributable to the owners of the Company:			
– Loss for the period from continuing operations		**(112,400)**	(85,809)
– Loss for the period from discontinued operations		**(74,343)**	(57,990)
		(186,743)	(143,799)
Loss for the period attributable to non-controlling interests:			
– Loss for the period from continuing operations		**(27,415)**	(4,055)
		(214,158)	(147,854)
Total comprehensive expense attributable to:			
Owners of the Company		**(150,487)**	(143,799)
Non-controlling interests		**(25,303)**	(4,055)
		(175,790)	(147,854)
Loss per share			
From continuing and discontinued operations	8		
Basic (HK cents)		**(6.94)**	(6.41)
Diluted (HK cents)		**(6.94)**	(6.41)
From continuing operations			
Basic (HK cents)		**(4.18)**	(3.83)
Diluted (HK cents)		**(4.18)**	(3.83)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	**30 June 2013 *HK$'000* (unaudited)**	31 December 2012 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**12,001**	11,496
Goodwill		**–**	70,188
Intangible assets		**3,927**	4,817
Other receivable		**37,798**	35,078
Investments in associates		**2,529**	2,467
Available-for-sale investments		**7,568**	23,232
Club debentures		**700**	700
		64,523	147,978
Current assets			
Inventories		**11,862**	9,265
Trade and bills receivables	*9*	**73,079**	42,324
Prepayments, deposits and other receivables		**109,324**	103,851
Loan to an investee		**82,186**	80,165
Amounts due from customers for contract work		**358,365**	439,862
Tax recoverable		**53**	53
Pledged bank deposits		**110,819**	292,864
Bank balances and cash		**26,742**	13,362
		772,430	981,746
Disposal groups classified as held-for-sale		**1,429,116**	1,418,587
		2,201,546	2,400,333
Current liabilities			
Trade and bills payables	*10*	**120,812**	159,553
Other payables, deposits received and accruals		**108,517**	55,802
Amounts due to customers for contract work		**287**	1,775
Convertible loan notes		**236,253**	116,767
Embedded derivative components of convertible loan notes		**25,296**	16,144
Tax liabilities		**8,095**	7,008
Borrowings – due within one year		**219,779**	421,915
Financial guarantee liabilities		**7,058**	6,566
		726,097	785,530
Liabilities associated with disposal groups classified as held-for-sale		**522,727**	506,921
		1,248,824	1,292,451
Net current assets		**952,722**	1,107,882
Total assets less current liabilities		**1,017,245**	1,255,860

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current liabilities		
Convertible loan notes	–	95,436
Embedded derivative components of convertible loan notes	–	38,143
	–	133,579
Net assets	**1,017,245**	1,122,281
Capital and reserves		
Share capital	**673,035**	673,035
Reserves	**265,302**	404,845
Equity attributable to owners of the Company	**938,337**	1,077,880
Non-controlling interests	**78,908**	44,401
Total equity	**1,017,245**	1,122,281

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "*Interim Financial Report*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, 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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In current interim period, the Group has adopted the following new accounting policy in relation to written call option to non-controlling interest of a subsidiary for acquiring up to 75% equity interest of a subsidiary.

Written call option to non-controlling interest of a subsidiary

Call option written to non-controlling interest, which will be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed amount of the shares in a subsidiary is classified as a derivative. In subsequent periods, the call option is measured at fair value with changes in fair value recognised in profit or loss.

In addition, in the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current period.

New Standards on Consolidation and Disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

The Directors of the Company reviewed and assessed the application of these five standards in the current interim period and concluded that they have 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. In particular, the Directors of the Company have assessed the impact on HKFRS 10 which changes the definition of control over an investee, and concluded that no material effect on the condensed consolidated financial statements. The disclosure requirements in HKFRS 12 will result in more extensive disclosures in the Group's annual consolidated financial statement for the year ending 31 December 2013.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of this HKFRS in the current interim period has had no material effect on the amount reported in these condensed consolidated financial statements. Disclosures of fair value information are made in accordance with the consequential amendments of HKAS 34.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 34 ***Interim Financial Reporting***
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Segment information is presented in note 3 of the condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the CODM, being the Managing Director of the Company, for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Since the second half of 2012, information regarding the sales of light emitted diode products, which was previously reported under "Others", have been provided separately to the CODM for the purposes of resource allocation and performance assessment.

The Group's reportable segments from continuing operations under HKFRS 8 are intelligent information business and sales of light emitted diode products. Consequently, comparative figures for the six months ended 30 June 2012 have been re-presented to reflect the changes of reportable segments in current interim period. Information reported under "Others" for the six months ended 30 June 2012 are mainly attributable to leasing of investment properties which have been disposed of in the second half of 2012.

(a) Segment revenue and results

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

Six months ended 30 June 2013 (unaudited)

Continuing operations

	Intelligent information business	Sales of light emitted diode products	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External sales	**93,121**	**2,638**	**95,759**
Segment loss	**(90,674)**	**(3,183)**	**(93,857)**
Unallocated income and gains			**4,667**
Unallocated expenses			**(18,699)**
Impairment loss recognised in respect of available-for-sale investments			**(15,793)**
Gain on fair value change of the derivative components of convertible loan notes			**28,991**
Loss on issuing financial guarantee contracts			**(4,739)**
Amortisation of financial guarantee contracts			**4,415**
Finance costs			**(34,244)**
Loss before tax (continuing operations)			**(129,259)**

Six months ended 30 June 2012 (restated)

Continuing operations

	Intelligent information business	Sales of light emitted diode products	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE				
External sales	99,467	3,859	–	103,326
Segment loss	(8,428)	(12,043)	(705)	(21,176)
Unallocated income and gains				4,309
Unallocated expenses				(15,396)
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)

There were no inter-segment sales for the six months ended 30 June 2013 and 2012.

(b) **Segment assets and liabilities**

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Reportable segment assets		
Intelligent information business	**599,859**	709,457
Sales of light emitted diode products	**6,497**	7,424
Reportable segment liabilities		
Intelligent information business	**165,826**	200,259
Sales of light emitted diode products	**13,791**	16,871

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Decrease in fair value of held-for-trading investments	**–**	(100)
Loss on disposal of subsidiaries	**–**	(301)
Gain (loss) on fair value change of the derivative components of convertible loan notes	**28,991**	(158)
Impairment loss recognised in respect of goodwill	**(70,188)**	(4,668)
Impairment loss recognised in respect of other receivables	**(357)**	(3,918)
Impairment loss recognised in respect of trade receivables	**(342)**	(608)
Impairment loss recognised in respect of available-for-sale investments	**(15,793)**	(12,441)
Impairment loss recognised in respect of amounts due from customers for contract work	**(13,556)**	(2,244)
Net exchange (loss) gain	**(611)**	292
Loss on issuing financial guarantee contracts	**(4,739)**	–
Amortisation of financial guarantee contracts	**4,415**	–
Others	**(66)**	446
	(72,246)	(23,700)

5. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
Hong Kong	**–**	21
PRC Enterprise Income Tax ("EIT")	**4,277**	92
	4,277	113
Underprovision in prior periods:		
EIT	**6,279**	–
Deferred tax	**–**	(708)
Income tax expense (credit)	**10,556**	(595)

For the six months ended 30 June 2013, no provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, a principal subsidiary of the Company was entitled to a 50% reduction in the applicable tax rate from 2010 to 2012.

The tax charge in respect of current period (excluding the capital gain tax arising from disposal of partial interest in a subsidiary) represents EIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiary in the PRC. The applicable tax rate for the Group's subsidiaries is 25% (2012: ranged from 12.5% to 25%) for the six months ended 30 June 2013.

In addition, a wholly-owned PRC subsidiary of the Group was granted certain tax benefits since 2008 to 2012 while the Directors of the Company have changed the operating plan since 2010 and shrunk its business afterwards. During the six months ended 30 June 2013, the PRC tax authority disallowed the tax benefits previously granted to that subsidiary and an additional tax charge of RMB5,000,000 (approximately HK$6,279,000) was imposed in relation to prior years.

6. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE

Digital television ("DTV") business

As disclosed in the Company's 2011 and 2012 annual reports, the Company has been advised by Southern Media Corporation, a state-owned enterprise in the PRC, about the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "Reform") which is led by the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province will be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播網絡有限公司) ("Guangdong Network"), a state-owned enterprise in the PRC. As a result, the Group is no longer being able to operate the DTV business and is required to exit the DTV business.

On 23 December 2011, the Group entered into a sale agreement with Hong Kong Guang Hua Resources Investments Company Limited ("Guang Hua"), an independent third party (the "Guang Hua Sales Agreement"), to dispose of its entire interest in South China Digital TV Holdings Limited, Yong Jiang Shi Yang Chun Yijiatong Information Technology Limited, Guangzhou Yijiatong Integrative Information Development Company Limited ("Yijiatong"), South China Digital Equipment Company Limited, and South China DTV Technology Development Limited (collectively referred as the "DTV Disposal Group"). The disposal of DTV Disposal Group is subject to the approval of the shareholders of the Company and Guangdong Southern Yinshi Network Media Company Limited ("Southern Yinshi"). On 25 May 2012, the disposal of DTV Disposal Group has been approved by the shareholders of the Company.

At 31 December 2012, the recoverable amount of the DTV Disposal Group estimated based on the net proceeds from the disposal pursuant to the Guang Hua Sales Agreement is expected to exceed the carrying amounts of the DTV Disposal Group and accordingly no impairment loss has been recognised. As disclosed in the Company's announcement dated 2 July 2013, the approval from Southern Yinshi had not yet been obtained. The Group and Guang Hua could not agree upon extension of the time for fulfillment or waiver of such approval. As a result, the Guang Hua Sales Agreement was lapsed on 30 June 2013.

Due to the delay in completing the disposal, the Directors of the Company initiated discussion with Guangdong Network and have also seeking for other potential buyers for the disposal of the DTV Disposal Group. In current period, Guangdong Network, Yijiatong and another state-owned enterprise jointly engaged a valuer in the PRC to perform valuation of the DTV business. There is no formal sales agreement and no valuation of the DTV business has been concluded as at the date of issuance of this report. The Directors of the Company are still committed to sell the DTV Disposal Group and consider the disposal transaction remains highly probable as the policy of the Reform remains unchanged and the Reform is still ongoing. Therefore, the DTV Disposal Group is continued to be classified as held-for-sale in the condensed consolidated statement of financial position as at 30 June 2013.

As at 30 June 2013, the net assets value of the DTV Disposal Group included in the condensed consolidated financial statements (the "Net Assets of the DTV Disposal Group") amounting to HK$906,389,000 and the Directors of the Company are confident that the recoverable amount of the DTV Disposal Group would not be less than the Net Assets of the DTV Disposal Group.

7. LOSS FOR THE PERIOD

Loss for the period from continuing operations has been arrived at after charging (crediting):

	Six months ended 30 June 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Continuing operations		
Amortisation of intangible assets	**1,004**	1,323
Depreciation of property, plant and equipment	**1,547**	2,067
Total depreciation and amortisation	**2,551**	3,390
Research and development expenses (included in other expenses)	**2,872**	–
Penalties charged by PRC State Administration of Foreign Exchange (included in other expenses) *(note)*	**3,981**	–
Loss (gain) on disposal of property, plant and equipment	**98**	(432)
Bank interest income	**(4,666)**	(4,144)
Imputed interest income in respect of other receivable	**(1,824)**	–

Note:

During the six months ended 30 June 2013, a penalty charge of approximately HK$3,981,000 was imposed to the Group due to non-compliance of Regulations on Foreign Exchange System of PRC in relation to designate use of capital injection of a wholly-owned subsidiary in PRC and the amount was fully settled during the current interim period.

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 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	**186,743**	143,799

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,692,141**	2,242,141

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	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss figures are calculated as follows:		
Loss for the period attributable to the owners of the Company	**186,743**	143,799
Less: Loss for the period from discontinued operations attributable to the owners of the Company	**74,343**	57,990
Loss for the purposes of basic and diluted loss per share from continuing operations	**112,400**	85,809

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

The computation of diluted loss per share does not assume exercise of share options and conversion of convertible loan notes for the six months ended 30 June 2013 and 2012 because the assumed conversion of convertible loan notes and the effect of the share options of the Company would result in decrease in loss per share from continuing operations.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK2.76 cents per share (2012: HK2.58 cents).

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	**74,343**	57,990

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

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.

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**17,875**	26,756
91 – 180 days	**49,232**	7,473
181 – 365 days	**5,972**	1,722
1 – 2 years	**–**	6,373
	73,079	42,324

10. TRADE AND BILLS PAYABLES

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**26,828**	69,640
91 – 180 days	**1,619**	17,415
181 – 365 days	**39,451**	5,121
1 – 2 years	**12,501**	23,943
Over 2 years	**40,413**	43,434
	120,812	159,553

SUMMARY OF THE INDEPENDENT AUDITOR'S OPINION

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 6 to the condensed consolidated financial statements which describes the sales agreement entered into between the Group and Hong Kong Guang Hua Resources Investments Company Limited, an independent third party, in relation to the disposal of certain subsidiaries of the Group (collectively referred as the "DTV Disposal Group") which lapsed on 30 June 2013. The Directors of the Company are now actively seeking for other potential buyers for the disposal of the DTV Disposal Group. The Directors of the Company consider the disposal transaction remains highly probable and are confident that the recoverable amount of the DTV Disposal Group would not be less than the net assets value of the DTV Disposal Group of HK$906,389,000 included in the condensed consolidated financial statements as at 30 June 2013. However, no formal sales agreement or valuation of the DTV business has been concluded as at the date of this report.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2013 (2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover from continuing operations for the six months ended 30 June 2013 amounted to HK$95.8 million (six months ended 30 June 2012: HK$103.3 million). Loss attributable to the owners of the Company for the period amounted to HK$186.7 million (six months ended 30 June 2012: HK$143.8 million), analysed as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Loss from continuing operations	**(112,400)**	(85,809)
Loss from discontinued operations:		
– Digital television business services	**(74,343)**	–
– Photomask business	**–**	(57,990)
	(74,343)	(57,990)
Loss attributable to the owners of the Company for the period	**(186,743)**	(143,799)

Basic loss per share of the Group are as follows:

	Six months ended 30 June	
	2013	2012
	HK cents	*HK cents*
Basic loss per share from continuing operations	**(4.18)**	(3.83)
Basic loss per share from discontinued operations	**(2.76)**	(2.58)
Basic loss per share from continuing and discontinued operations of the Group	**(6.94)**	(6.41)

As at 30 June 2013, the Group's equity attributable to the owners of the Company amounted to HK$938.3 million, representing a decrease of HK$139.6 million over the figure as at 31 December 2012 of HK$1,077.9 million. The net assets value per share attributable to the owners of the Company as at 30 June 2013 was HK$0.35 (31 December 2012: HK$0.40).

Financial Review

Revenue, cost of sales and gross profit from continuing operations

Revenue from continuing operations for the period decreased by HK$7.5 million (7.3%) compared to same period in prior year, which is mainly attributable to the decrease in revenue from intelligent information business with further details disclosed in “SEGMENT INFORMATION” below. Gross profit ratio dropped from 18.6% in prior period to 15.4% in current period, which was mainly attributable to slightly lower profit margin earned from projects of intelligent information business.

Loss for the period from continuing operations attributable to the owners of the Company

Loss for the period from continuing operations attributable to the owners of the Company increased by HK$26.6 million (31.0%) compared to prior year. The main reason for the increase in loss was due to the provision of full impairment loss on goodwill for intelligent information business of HK$70.2 million during the period (provision of impairment loss on goodwill for the six months ended 30 June 2012 was HK$4.7 million), with further details disclosed in “SEGMENT INFORMATION” below. During the period, the decrease in fair value of embedded derivative components of convertible loan notes of HK$29.0 million (increase in fair value of HK$0.2 million for the six months ended 30 June 2012) set off certain amount of loss.

Loss for the period from discontinued operations attributable to the owners of the Company

Loss for the period from discontinued operations attributable to the owners of the Company increased by HK$16.4 million (28.2%) compared to prior year. Discontinued operations included digital television business and photomask business.

Loss attributable to digital television business increased by HK$74.3 million, which was mainly due to receipt of income of HK$69.6 million from the provision of digital television equipment to Guangdong Southern Yinshi Network Media Company Limited (“Southern Yinshi”) during the first half of 2012 but ceased to receive the same subsequent to 30 June 2012.

Loss attributable to photomask business decreased by HK$58.0 million, which was mainly due to the provision in connection with the delivery of photomask machinery of HK$58.0 million during the first half of 2012 but there was no relevant expenses during the current period.

Segment Information

Intelligent information business

Intelligent information business refers to the development and provision of system integration solutions, system design and sale of system hardware. As there was a slowdown in the economy of China, intelligent information business incurred a loss. The turnover and operating losses of intelligent information business for the period reached HK$93.1 million (six months ended 30 June 2012: HK$99.5 million) and HK$90.7 million (six months ended 30 June 2012: HK$8.4 million), respectively.

The significant increase in loss was primarily due to the provision of full impairment loss on goodwill for intelligent information business of HK$70.2 million. The impairment was recognised by the Group in view of recent policies adopted by the State to strengthen approvals on the construction of new buildings. As such, the budget and management over application of funds were also tightened for the construction of new projects. Banks also reduced their financing over such projects lately to control the risks. Being affected by these factors, the number of projects contracted and the contracted amount of intelligent information business both decreased during the period, and the progress on the projects also slowed down. Therefore, the Group anticipates that the business volume and the sales amount will fall accordingly in the coming years.

The Group will actively explore more sectors to market this business so as to accelerate its development and to ensure its expansion continuously in the long-term.

Digital television business services

The turnover and total loss of digital television business for the period were nil (six months ended 30 June 2012: HK$69.6 million) and HK$74.3 million (six months ended 30 June 2012: nil), respectively. The significant fall in turnover and the huge rise in loss were mainly due to receipt of income of HK$69.6 million from the provision of digital television equipment to Southern Yinshi during the first half of 2012 but ceased to receive the same subsequent to 30 June 2012.

Reference to the announcement dated 2 July 2013, the outstanding condition for the completion of the disposal of digital television business, the obtainment of the approval of Southern Yinshi, is yet to be fulfilled or waived, the Group and the purchaser could not agree upon extension of the time for fulfilment or waiver of such condition. As a result, the disposal was lapsed. The Group is still looking for new purchasers and negotiating with them about the terms.

Sales of light emitted diode products and others

During the period, the turnover and operating loss of sales of light emitted diode products and others segments amounted to HK$2.6 million (six months ended 30 June 2012: HK$3.9 million) and HK$3.2 million (six months ended 30 June 2012: HK$12.7 million) respectively.

Prospect

The Group is currently focusing the resources in intelligent information business. The Group will also actively explore new businesses for investments and development so as to bring better return to shareholders in the future.

Liquidity and Financial Resources

The financial leverage of the Group as at 30 June 2013, as compared to 31 December 2012 is summarised below:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Total debt		
– from bank	**219,779**	421,915
– from convertible loan notes	**236,253**	212,203
Sub-total	**456,032**	634,118
Pledged bank deposits	**(110,819)**	(292,864)
Cash and bank deposits	**(26,742)**	(13,362)
Net debt	**318,471**	327,892
Total capital (equity and total debt)	**1,394,369**	1,711,998
Total assets	**2,266,069**	2,548,311
Financial leverage		
– net debt to total capital	**22.8%**	19.2%
– net debt to total assets	**14.1%**	12.9%

Financing Activities

During the period, the Group has raised new borrowings of HK$301.3 million from banks and a related company of HK$223.7 million and HK$77.6 million respectively, to provide working capital for the Group.

Capital Structure

As at 30 June 2013, the number of shares in issue and issued share capital of the Company were 2,692,141,179 (31 December 2012: 2,692,141,179) and approximately HK$673.0 million (31 December 2012: HK$673.0 million) respectively.

Charge on Assets

As at 30 June 2013, assets pledged to banks to secure banking facilities (including bank borrowings and bills payables) granted to the Group are as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Investment properties	**46,599**	45,453
Buildings	**11,107**	10,903
Bank deposits	**110,819**	293,053
Bills receivables	**1,264**	–
Total	**169,789**	349,409

As at 30 June 2013, among assets pledged, investment properties of HK$46.6 million (31 December 2012: HK$45.5 million), buildings of HK$11.1 million (31 December 2012: HK$10.9 million), and pledged bank deposits of nil (31 December 2012: HK$0.2 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 exposures regularly and may consider using financial instruments to hedge against such exposures at appropriate times. As at 30 June 2013, there were no derivative financial instruments employed by the Group.

Material Acquisition, Disposals, Significant Investment and Future Plans of Material Investment

Reference to the announcement dated 2 July 2013, the disposal of digital television business was lapsed, with further details disclosed in "SEGMENT INFORMATION" above.

On 7 January 2013, Sino Stride (HK) Limited, a wholly-owned subsidiary of the Company, entered into a disposal agreement with the purchaser, Carrier Asia Limited, pursuant to which Sino Stride (HK) Limited agreed to sell 20% of the registered capital of Sinostride Technology Co., Ltd. at a consideration of RMB58.3 million (equivalent to approximately HK$72.0 million). This disposal was completed during the period and the Group had already received the entire consideration. Details of the disposal were set out in the circular of the Company dated 9 May 2013. Upon the completion of the transaction, the percentage of shareholding held by the Group in Sinostride Technology Co., Ltd. reduced from 78.5% to 58.5%.

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 2013.

Contingent Liabilities

As at 30 June 2013, the contingent liabilities of the Group were arisen from cross guarantees of HK$143.5 million (31 December 2012: HK$148.6 million) for credit facilities granted to certain third parties, and the amount utilised was HK$116.3 million (31 December 2012: HK$104.2 million).

Employees and Remuneration Policies

The Group had a total of 290 employees as at 30 June 2013.

The remuneration policies of the Group are to ensure the remuneration package as a whole is fair and competitive, so as to motivate and retain current employees as well as to attract potential ones. The determination of these remuneration packages have already been taken into account carefully, amongst others, practices at under different local geographical locations in which the Group operate. The employees' remuneration packages are comprised of salaries, discretionary bonuses, together with retirement schemes, medical insurances and share options to form a part of such welfare 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 CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code 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 2013.

RESIGNATION OF DIRECTOR

The Board announces that Mr. Lu Yeow Leong ("Mr. Lu") has resigned as a Non-executive Director of the Company with effect from 28 August 2013 due to his other engagements.

Mr. Lu has confirmed that he did not have any disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to thank for Mr. Lu for his invaluable contributions to the Board during his tenure of services in the Company.

LIST OF DIRECTORS AND THEIR ROLES AND FUNCTIONS

With effect from 28 August 2013, the members of the Board and the membership of the five Board committees of the Company are as follows:

Members of the Board

Executive Directors
Li Shaofeng *(Chairman)*
Mung Kin Keung *(Vice Chairman)*
Chau Chit *(Managing Director)*

Non-executive Director
Leung Shun Sang, Tony

Independent Non-executive Directors
Leung Kai Cheung
Wong Wai Kwan
Liem Chi Kit, Kevin

Membership of the five Board committees

Board Committee / Director	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Li Shaofeng	M			C	M
Mung Kin Keung	M		M		C
Chau Chit	C				M
Leung Shun Sang, Tony			M	M	M
Leung Kai Cheung		C	C	M	M
Wong Wai Kwan		M	M	M	
Liem Chi Kit, Kevin		M	M	M	

Notes:
C Chairman of the relevant Board committees
M Member of the relevant Board committees

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 2013

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. Leung Kai Cheung (Independent Non-executive Director), Mr. Wong Wai Kwan (Independent Non-executive Director) and Mr. Liem Chi Kit, Kevin (Independent Non-executive Director).