ANNUAL REPORT 2009

Sandmartin International Holdings Limited
聖馬丁國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00482

Contents

Corporate Information

DIRECTORS

Executive directors

Mr. Hung Tsung Chin *(Chairman)*
Ms. Chen Mei Huei *(Chief Executive Officer)*
Mr. Wang Yao Chu
Mr. Liao Wen I
Mr. Yip Ho Chi (resigned on June 15, 2009)

Independent non-executive directors

Mr. Hsu Chun Yi
Mr. Tsan Wen Nan
Mr. Lee Chien Kuo (appointed on February 2, 2009)
Mr. Chen Chung Ho (resigned on February 2, 2009)

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1, 19/F., China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central, Hong Kong

COMPANY SECRETARY

Ms. Mak Po Man Cherie, *CPA, FCCA*

LEGAL ADVISORS

Sidley Austin

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

AUDIT COMMITTEE

Mr. Hsu Chun Yi *(Chairman)*
Mr. Tsan Wen Nan
Mr. Lee Chien Kuo (appointed on February 2, 2009)
Mr. Chen Chung Ho (resigned on February 2, 2009)

REMUNERATION COMMITTEE

Mr, Hung Tsung Chin *(Chairman)*
Mr. Hsu Chun Yi
Mr. Tsan Wen Nan

NOMINATION COMMITTEE

Mr, Hung Tsung Chin *(Chairman)*
Mr. Hsu Chun Yi
Mr. Tsan Wen Nan

PRINCIPAL BANKERS

Bank SinoPac
Chinatrust Commercial Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
The HongKong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

In Bermuda
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street, Hamilton, HM11, Bermuda

WEBSITE

www.sandmartin.com.hk

STOCK CODE

482

EXECUTIVE DIRECTORS

Mr. Hung Tsung Chin, aged 48, the husband of Ms. Chen Mei Huei, is the founder and the Chairman of the Group. Mr. Hung founded the Group in November 1989 and is responsible for the Group's overall management, strategic planning and development, and formulation of company policies and business strategy. Mr. Hung has over 19 years of management experience in the electronics manufacturing industry. Mr. Hung obtained a bachelor degree in business administration from National Chengchi University in Taiwan.

Ms. Chen Mei Huei, aged 47, the wife of Mr. Hung Tsung Chin, is a co-founder of the Group since November 1989. Ms. Chen is the Chief Executive Officer of the Group, responsible for the overall management of the Group including all overseas offices. Ms. Chen has been actively engaged in the sales and marketing development of the Group in Taiwan and the international markets for more than 19 years and has particular focus on new customers and new market development in recent years. Ms. Chen graduated from Tamkang University in Taiwan with a bachelor degree in Spanish Literature.

Mr. Wang Yao Chu, aged 46, is a co-founder of the Group since November 1989 and is currently responsible for the overall management of the Group's fibre optic division from 2000. Mr. Wang has been engaged in the management of the Group's operations in the People's Republic of China (the "PRC") from 1991 to 2000. Mr. Wang has over 19 years of management experience in the electronics manufacturing industry. Mr. Wang graduated from National Chengchi University in Taiwan with a bachelor degree in business administration.

Mr. Liao Wen I, aged 41, is a co-founder of the Group since November 1989 and is responsible for the management of the Group's manufacturing operations and corporate affairs in the PRC. Mr. Liao studied electronic device maintenance in a technical college in Taiwan. Mr. Liao has over 19 years of experience in the cable and connector industries, including 17 years of management experience in the manufacturing operations in the PRC. Mr. Liao is currently a vice-chairman of (Zhong Shan) Taiwan Business Investors Social Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hsu Chun Yi, aged 47, is an independent non-executive director from October 2004. Mr. Hsu has a bachelor degree in public administration from Tunghai University in Taiwan and a master degree in international management studies from the University of Texas at Dallas of the United States of America (the "US"). Mr. Hsu is currently an executive director of United Capital Management Limited, a venture investment company based in Taiwan. Prior to that, Mr. Hsu was an associate vice president of China Development Industrial Bank, one of the largest institutional investors in Taiwan, where he gained over ten years' experience in the finance industry. Mr. Hsu is also a supervisor of two listed companies in Taiwan.

Directors and Senior Management

Mr. Tsan Wen Nan, aged 46, is an independent non-executive director from October 2004. Mr. Tsan holds a bachelor degree in electrical engineering and a doctor degree in information management from National Central University, and a Master of Business Administration from National Chengchi University in Taiwan. Mr. Tsan has over 20 years' experience in the information technology industry. Mr. Tsan is now the general director of Market Intelligence Center of Institute for Information Industry, a semi-governmental organization in Taiwan.

Mr. Lee Chien Kuo (also known as Thomas Lee), aged 45, is an independent non-executive director from February 2009. Mr. Lee has over 17 years of experience in the private equity industry. He graduated with a degree of Industrial Management from the National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) and a Master of Business Administration degree from the National Sun Yat-Sen University in Taiwan. Mr. Lee is a managing director of Sinovo Growth Capital Management Co. Ltd., and a vice president of Chinalliance Holding Ltd., both are venture capital companies. Prior to that, Mr. Lee worked as an associate vice president with China Development Industrial Bank, a direct investment bank in Taiwan, where he had gained nearly 12 years of direct investment and corporate finance related experience.

SENIOR MANAGEMENT

Mr. Su Jow Shi, aged 46, is the deputy general manager of the Group's digital TV division, responsible for manufacturing operations. Mr. Su graduated from the San Diego State University in the US where he earned a Master of Public Administration degree. Mr. Su joined the Group in September 1995.

Mr. Hsiao Yu Jung, aged 44, is the deputy general manager of the Group's cable division responsible for the procurement, manufacturing and development of the Group's cable products. Mr. Hsiao obtained a diploma in mechanical design engineering from the National Formosa University in Taiwan. Mr. Hsiao joined the Group in July 2002.

Mr. Carlos Domingo Bujosa, aged 45, is the Chief Executive Officer of BCN Distribuciones S.A. ("BCN"). Mr. Domingo Bujosa's family founded the business of BCN in 1965 and he has over 23 years of management experience in the production and marketing of telecommunications products in Europe. After the acquisition of BCN by the Group in January 2006, Mr. Domingo Bujosa is responsible for the overall operations of BCN, as well as the technology and marketing strategy development.

Mr. Frank Fischer, aged 49, is the chief technology officer of the Group. He joined the Group in January 2008 and is responsible for the technical strategy of the Group and is leading and coordinating the R&D activities in China, Germany, Spain and the US. Mr. Fischer has more than 21 years experience in hardware and software development for consumer electronic products in Europe and has been involved in Digital TV technologies since the beginning of Digital Video Broadcasting Project (DVB) in 1994. He graduated as diploma degree engineer for automation technology and cybernetics from the Technical University Leipzig in Germany.

BUSINESS REVIEW

Affected by the global financial crisis, the global economy has seriously down turned to a recession, with not only the economic activities substantially reduced, but also the growth in emerging markets has also slowed down. Drastic changes in the global financial and economic environment caused the market to become unpredictable, in a way that the Group has also been inevitability impacted to some extent. Even with our loyal customers supporting the Group, however, the macroeconomic conditions have had negative impact, due to global downturn, to end customers spending.

The Group is in the industry of the media entertainment platform related products which to some degree, it is assumed to have been negatively influenced by the global recession. However, based on our experience and observation of the economic cycle, the Group believes that the market trends are moving toward high-end technology, multi-functionality, high quality and competitive pricing. Customers from low digitalization areas are gradually demanding new digital services and products, which provide an important momentum of growth and direction for the Group. Therefore, the Group will invest in R&D continuously to enhance its competitive advantage in the trend of global digitalization. In addition to maintain its existing markets and customer base, the Group will penetrate into emerging markets, such as Latin America. Meanwhile, by enhancing its relationship and cooperation with system operators, the Group believes that it will bring in new growth of sales volume and margin and also shows our confidence and ambition for the future.

FINANCIAL REVIEW

Revenue

The Group's turnover for the year ended June 30, 2009 was approximately HK$1,377.2 million, representing a decrease of 20.2% as compared with HK$1,725.1 million recorded last year. The decrease in turnover in current year was driven by the reduction orders from the European and Middle East markets as a result of the global financial crisis and economic recession.

Segment information

The Group's turnover was mainly contributed by the Group's core business, sales of media entertainment platform related products. The turnover from media entertainment platform related products was HK$883.8 million, represented a significant decrease of 27.2% as compared with HK$1,213.9 million recorded last year.

The turnover of sales from other multimedia products for the year ended June 30, 2009 was approximately HK$493.4 million, a decrease of 3.5% as compared with HK$511.2 million recorded last year.

Revenue by geographic markets

	Middle East	Europe	North America	Africa	South America	Other regions	Total
Revenue for the Year (HK$m)	492.9	393.8	247.7	106.9	77.8	58.1	1,377.2
% of Group's revenue	35.8	28.6	18.0	7.8	5.6	4.2	100
% (decline) growth from last year	(29.5)	(27.0)	(6.5)	27.7	(0.6)	(2.8)	(20.2)

Management Discussion and Analysis

Operating Results

The Group's profit for the year attributable to equity holders amounted to approximately HK$32.2 million (2008: HK$42.3 million). The Group's earnings before interest, tax, depreciation and amortization (EBITDA) decreased 35.3% to HK$71.6 million (2008: HK$110.7 million). It was mainly due to the higher decrease rate in turnover than that of the operating expenses decrease. The Group's gross profit was approximately HK$243.4 million for the year ended June 30, 2009, representing a decrease of 26.5% from HK$331.0 million recorded in 2008, however, the Group's administrative expenses for the year were not decreased in line with the decreased in gross profit. Our administrative expenses were approximately HK$113.7 million, just representing a decrease of 14.5% compared with HK$133.0 million recorded in 2008.

Income tax expense

Our income tax was HK$1.1 million for the year ended June 30, 2009, representing a decrease of 85.3%, from HK$7.8 million recorded in 2008, which was due to decrease of profit, and tax refund regarding of R&D activities in one of European subsidiaries during the Year.

Capital Structure

During the Year, there were no changes in the Company's share capital. The Group's sources of financing were mainly bank borrowings which denominated in Euros at prevailing interest rates.

Working capital efficiency

The average inventory turnover period for the year ended June 30, 2009 and 2008 were 89 days and 92 days respectively.

The average trade receivables turnover days for the year ended June 30, 2009 and 2008 were 47 days and 52 days respectively.

The average trade payables turnover days for the year ended June 30, 2009 and 2008 were 75 days and 87 days respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2009, our cash and cash equivalent balances totaled HK$173.3 million compared with HK$170.3 million as at June 30, 2008, of which 67.3% (2008: 52.6%) was denominated in US dollars, 13.4% (2008: 17.6%) in Euros, 12.9% (2008: 16.3%) in Renminbi, 5.6% (2008: 12.1%) in Hong Kong dollars, and 0.8% (2008: 1.5%) in other currencies.

The Group's current ratio (ratio of current assets to current liabilities) was 1.8 at June 30, 2009 and 1.4 at June 30, 2008.

The Group's total borrowings as at June 30, 2009 decreased by 53.4% to HK$101.1 million from HK$217.1 million as at June 30, 2008, primarily as a result of early repayment on bank borrowings.

The Group's bank borrowings were denominated mainly in Euros at the prevailing interest rate. The Group is subject to restrictive covenants under its credit facility. These covenants limit the ability of the Company and its respective subsidiaries to, among other things, make restricted payments, including dividends, or loans. As at June 30, 2009, our outstanding borrowings primarily consist of trust receipt loans of HK$9.3 million, bills discounted with recourse of HK$0.8 million, and bank loans of HK$91.0 million whereas HK$85.0 million were repayable within one year. The Group's borrowings as at June 30, 2009 were denominated in Euros, US dollars and Hong Kong dollars of 99.2%, 0% and 0.8% respectively (2008: 58.8%, 37.5% and 3.7% respectively). The gearing ratio (total borrowings over total assets of the Group) was significantly reduced to 10.9% at June 30, 2009 from 19.7% at June 30, 2008.

CHARGES ON ASSETS

As at June 30, 2009, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$1.3 million, (ii) buildings with a carrying value of HK$2.1 million, (iii) prepaid lease payments of HK$7.8 million, (iv) investment properties of HK$31.1 million and (v) bills receivables of HK$0.8 million.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at June 30, 2009 (2008: Nil).

PROSPECTS

Due to rapid development of technology, related products have matured constantly, consumers' recognition, and trends lead by design manufacturers, the media entertainment platform related products market has consequently become a fast-growing sector of the electronic industry in the past decade. Due to the constant transformation and strengthening of consumers' demand, customers have gradually become less interested in products with low-cost, low-performance and outdated technology. In recent years, responding to the products trend of digitalization, analog signal providers are offering more channels along with more professional services and high quality viewing. The manufacturers in the industry of the media entertainment platform related products have developed and produced products with varied functionality, in accordance with customers' needs in varies nations and regions. With the continuous switching to digital signals, consumer demand for high-definition products have continued to grow, driving the growth of high-end products in the market. We believe that, in particular, due to the influence of global financial crisis and epidemical infections, people's behavior in business, entertainment and consumption will have fundamental changes. Large scale commercial events, traveling and shopping activities and spending may decline and therefore resulting in more commerce and entertainment activities through the internet in offices or homes. This trend will lead to a prevailing "home economy" and the media entertainment platform related products will be fully catered to meet this demand.

A competitive environment will revitalize the market and stimulate consumer demand. Structural changes in the socio-economic environment will introduce emerging markets and lead consumer behavior. The Group will maintain its prudent strategy to secure its existing markets and customer base, followed by seizing opportunities with customers in new markets. As a result, the Group could achieve a better result in the unpredictable environment.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1.6 cents per share for the year ended June 30, 2009 (2008: Nil). This dividend is subject to the approval of shareholders at the annual general meeting on December 3, 2009.

EMPLOYEES

As at June 30, 2009, the Group employed a total of 3,518 (2008: 3,909) full-time employees. Employees are remunerated accordingly to their performance and responsibilities and the total employee benefit expenses, excluding directors, for the Year amounted to HK$158.0 million (2008: HK$156.6 million). Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The directors of the Company (the "Directors") believe that good corporate governance provides a framework and platform that is essential for and advantageous to effective management and successful business growth. The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and where appropriate, adopted the recommended best practices of the CG Code. Throughout the year ended June 30, 2009 (the "Year"), the Company has complied with the code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry to all Directors, all Directors confirmed they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Year.

BOARD OF DIRECTORS

The composition of the Board of Directors (the "Board"), including four executive Directors namely, Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Wang Yao Chu and Mr. Liao Wen I and three independent non-executive Directors ("INEDs") namely, Mr. Hsu Chun Yi, Mr. Tsan Wen Nan and Mr. Lee Chien Kuo. The Chairman is Mr. Hung Tsung Chin. The Board held seven meetings during the Year. The Company sets up the Audit Committee, Nomination Committee and Remuneration Committee (the "Committees"). The attendance of the Board and Committees meetings during the Year are as follows:

Name of directors	Board	Attendance rate	Audit Committee	Attendance rate	Nomination Committee	Attendance rate	Remuneration Committee	Attendance rate	2008 AGM	Attendance rate
	Number of meetings attended in person/ by proxy		Number of meetings attended in person/ by proxy		Number of meetings attended in person/ by proxy		Number of meetings attended in person/ by proxy		Attended in person/ by proxy	
Executive Directors										
Hung Tsung Chin *(Chairman)*	7/0	100%	N/A	N/A	N/A	N/A	N/A	N/A	1/0	100%
Chen Mei Huei *(Chief Executive Officer)*	7/0	100%	N/A	N/A	N/A	N/A	N/A	N/A	0/0	0%
Wang Yao Chu	7/0	100%	N/A	N/A	N/A	N/A	N/A	N/A	1/0	100%
Liao Wen I	7/0	100%	N/A	N/A	N/A	N/A	N/A	N/A	1/0	100%
Yip Ho Chi (resigned on June 15, 2009)	5/1 (note 1)	100%	N/A	N/A	N/A	N/A	N/A	N/A	1/0	100%
INEDs										
Hsu Chun Yi	5/1	85%	2/0	100%	N/A	N/A	N/A	N/A	0/0	0%
Tsan Wen Nan	6/0	85%	2/0	100%	N/A	N/A	N/A	N/A	0/0	0%
Chen Chung Ho (resigned on February 2, 2009)	1/0 (note 2)	50%	0/0 (note 4)	0%	N/A	N/A	N/A	N/A	1/0	100%
Lee Chien Kuo (appointed on February 2, 2009)	2/0 (note 3)	50%	1/0 (note 5)	100%	N/A	N/A	N/A	N/A	N/A	N/A

Note 1: Six Board meetings were held during the period from July 1, 2008 to June 14, 2009.

Note 2: Two Board meetings were held during the period from July 1, 2008 to February 1, 2009.

Note 3: Four Board meetings were held during the period from February 3, 2009 to June 30, 2009.

Note 4: One Audit Committee meeting was held during the period from July 1, 2008 to February 1, 2009.

Note 5: One Audit Committee meeting was held during the period from February 3, 2009 to June 30, 2009.

The Directors are collectively and ultimately responsible for how the Company is managed, its strategic direction and performance. The Directors meet to plan, decide and review these matters, which resolutions are put to a vote. Day-to-day operations of the Group and implementation of the Board's decisions and strategy are delegated to the Company's management team, and those arrangements are reviewed on a periodic basis to ensure they remain appropriate. All Directors are regularly updated on corporate governance and regulatory matters. The Directors have separate and independent access to the Company's senior management and, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses. All Directors also have access to the Company Secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of the meeting. Minutes of board meetings and meetings of board committee, which recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the Company Secretary and are open for inspection by Directors.

Details of the rules governing the appointment, re-election and removal of Directors are laid down in the Bye-laws of the Company. Biographies of the Directors are set out in the Directors and Senior Management section of this Annual Report.

The Company has also arranged a Director's and Officer's Liability Insurance policy in respect of legal action against its Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer are currently two separate positions. Mr. Hung Tsung Chin, the Chairman, is the husband of Ms. Chen Mei Huei, the Chief Executive Officer. The Chairman is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner as will enable them to make an informed decision. The Chief Executive Officer is delegated with the authority and is responsible for running the Group's business, and the implementation of the approved strategies in achieving the overall commercial objectives.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hsu Chun Yi and Mr. Tsan Wen Nan of the INEDs of the Company have entered into the letter of appointment with the Company and be appointed for a period of one year commencing December 1, 2008 and subject to the retirement and re-election provisions in the Bye-laws of the Company and may be terminated by either party giving to the other three months' prior notice in writing. Mr. Chen Chung Ho of the INED of the Company has entered into the letter of appointment with the Company and be appointed for a period of one year commencing December 1, 2008 and has resigned as an INED and a member of the Audit Committee of the Company on February 2, 2009. Mr. Lee Chien Kuo was appointed as an INED and a member of Audit Committee of the Company on February 2, 2009. He has entered into the letter of appointment with the Company and be appointed for a period of one year commencing February 2, 2009 and may be terminated by either party giving to the other three months' prior notice in writing. Mr. Lee's appointment will expire at the next annual general meeting of the Company and subject to re-election. Pursuant to the guidelines set out in rule 3.13 of the Listing Rules, each of the INEDs has confirmed his independence and is continued to be considered by the Company to be independent.

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company is responsible for formulating and making recommendations to the Board on the Group's policy and structure of the Directors' and the senior management's remuneration, as well as on the establishment of a formal and transparent procedure for developing policy on such remuneration. Throughout the Year, the Remuneration Committee comprised one executive Director and Chairman of the Company, Mr. Hung Tsung Chin (Chairman of the Remuneration Committee), and two INEDs, namely, Mr. Hsu Chun Yi and Mr. Tsan Wen Nan.

During the Year, the Remuneration Committee has not convened meeting because the remuneration of the Directors and the senior management has no significant increment.

NOMINATION OF DIRECTORS

The Nomination Committee of the Company is responsible for the appointment of the directors and for considering appropriate candidates for re-election by the Company's shareholders at annual general meeting. Throughout the Year, the Nomination Committee comprised one executive Director and Chairman of the Company, Mr. Hung Tsung Chin (Chairman of the Nomination Committee) and two INEDs, namely, Mr. Hsu Chun Yi and Mr. Tsan Wen Nan.

During the Year, the Nomination Committee has not convened meeting because other than the appointment of Mr. Lee Chien Kuo, the INED of the Company, there had been no major appointments to the Company. In selecting the suitable candidates to fill in the vacancy of INED, the Board has considered the professional background, reputation and possible contributions to the Company. The Nomination Committee has participated in the full process.

AUDITORS' REMUNERATION

During the Year, the remuneration paid to the Company's external auditors, Deloitte Touche Tohmatsu, for their services rendered for the year ended June 30, 2009 is set out as follows:

	2009	2008
	HK$'000	HK$'000
Audit	**2,015**	2,459
Non-audit services:		
Taxation services fee	**–**	444
Interim review	**280**	310
Others	**30**	30

AUDIT COMMITTEE

The Audit Committee has been established with the responsibility of assisting the Board in providing an independent review on the Company's (i) relationship with the external auditors, (ii) financial information, and (iii) the reporting system and internal control procedures. It acts in an advisory capacity and makes recommendations to the Board. Throughout the Year, the Audit Committee comprised three INEDs, namely, Mr. Hsu Chun Yi (Chairman of the Audit Committee), Mr. Tsan Wen Nan, Mr. Lee Chien Kuo (appointed on February 2, 2009) and Mr. Chen Chung Ho (resigned on February 2, 2009).

During the Year, the Audit Committee has convened two meetings.

The Directors are collectively responsible for preparing the consolidated financial statements of the Group which have been prepared on a going concern basis, and complied with requirements of the Listing Rules. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Also, there is no disagreement between the Directors and the Audit Committee regarding the selection of the external auditors.

The auditors' statement about their reporting responsibilities on the consolidated financial statements is set out on page 21 of this annual report.

INTERNAL CONTROL

The Directors have conducted a review covering all material controls, including financial, operational and compliance controls and risk management functions of the Group for the Year and were satisfied that an effective and adequate internal control system had been in operation. Considerations are also given to the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting functions and their training programs and budget.

The Directors and management have also conducted regular reviews on the effectiveness of the system of internal control of the Group and are satisfied with the results of the reviews.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company maintains a website at www.sandmartin.com.hk. It is a channel of the Company to communication with the public with our latest development of the Group. All our corporate communications such as announcements, circular, annual report and interim report are available on the website whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders and investors may also email their enquires to the Company's email at smt@sandmartin.com.hk, which will be handled by public relation staff of the company.

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS

The results of the Group for the Year are set out in the consolidated income statement on page 23.

Interim dividend of HK0.6 cents per share for the six months ended December 31, 2008 (July 1, 2007 to December 31, 2007: nil) was paid to shareholders during the Year. The Directors recommended the payment of a final dividend of HK1.6 cents per share for the Year (2008: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements during the Year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at June 30, 2009 were as follows:

	2009 **HK$'000**	2008 HK$'000
Contributed surplus	**181,788**	181,788
Retained profits	**67,287**	74,817
	249,075	256,605

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors' Report

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 41 to the consolidated financial statements.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

BORROWINGS

Details of the borrowings of the Group are set out in note 27 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive directors:

Mr. Hung Tsung Chin
Ms. Chen Mei Huei
Mr. Wang Yao Chu
Mr. Liao Wen I
Mr. Yip Ho Chi (resigned on June 15, 2009)

Independent non-executive directors:

Mr. Hsu Chun Yi
Mr. Tsan Wen Nan
Mr. Lee Chien Kuo (appointed on February 2, 2009)
Mr. Chen Chung Ho (resigned on February 2, 2009)

In accordance with the Company's Bye-laws 87(1) and 87(2), Mr. Wang Yao Chu and Mr. Liao Wen I shall retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting (the "AGM"). In accordance with the Company's Bye-laws 86(2), Mr. Lee Chien Kuo shall retire from office and being eligible, has offered himself for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years commencing April 1, 2005 and will continue thereafter unless and until terminated by either party by three months' prior notice in writing.

Mr. Hsu Chun Yi and Mr. Tsan Wen Nan of the Independent Non-executive Directors of the Company have entered into the letter of appointment with the Company and be appointed for a period of one year commencing December 1, 2008 and subject to the retirement and re-election provisions in the Bye-laws of the Company and may be terminated by either party giving to the other three months' prior notice in writing. Mr. Chen Chung Ho of the INED of the Company has entered into the letter of appointment with the Company and be appointed for a period of one year commencing December 1, 2008 and has resigned as an INED and a member of the Audit Committee of the Company on February 2, 2009. Mr. Lee Chien Kuo was appointed as an INED and a member of Audit Committee of the Company on February 2, 2009. He has entered into the letter of appointment with the Company and be appointed for a period of one year commencing February 2, 2009 and may be terminated by either party giving to the other three months' prior notice in writing. Mr. Lee's appointment will expire at the forthcoming annual general meeting of the Company and subject to re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at June 30, 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(i) Ordinary shares of HK$0.10 each of the Company

Name of director	Capacity and nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Hung Tsung Chin	Interest in controlled corporation	147,523,125 (Note 1)	26.50%
Ms. Chen Mei Huei	Interest in controlled corporation	147,523,125 (Note 1)	26.50%
Mr. Wang Yao Chu	Interest in controlled corporation	111,150,000 (Note 2)	19.97%
Mr. Liao Wen I	Interest in controlled corporation	75,489,375 (Note 3)	13.56%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION *(Continued)*

(i) Ordinary shares of HK$0.10 each of the Company *(Continued)*

Notes:

1. These shares are registered in the name of Metroasset Investments Limited which is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei as to 10.53%.

2. These shares are registered in the name of Success Power Investments Limited which is held by Mr. Wang Yao Chu as to 58.80% and his wife, Ms. Tseng Wei Ti, as to 41.20%.

3. These shares are registered in the name of Wellever Investments Limited which is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All interests in the Company's shares stated above represent long position.

(ii) Share options

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on March 17, 2005 (the "Option Scheme") for a period of ten years, the Company may grant options to the directors or employees, any business consultants, business partners, suppliers, customers, agents or financial or legal advisers of the Company or any of its subsidiaries, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered.

The exercise price of the share option will be determined at the highest of:

(i) the closing price of the Company's shares on the Stock Exchange on the date of grant;

(ii) the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Option Scheme, or any conditions stipulated by the board of directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of the Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION *(Continued)*

(ii) Share options *(Continued)*

As at June 30, 2009, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 11,960,000 (2008: 9,510,000), representing approximately 2.15% of the shares of the Company in issue as at June 30, 2009.

The following table discloses movements in the Company's share options during the Year:

				Number of share options					
Type of grantee	Date of grant (Note)	Closing price per share immediately prior to the grant date	Exercise price	Outstanding at July 1, 2008	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding at June 30, 2009
Directors									
Mr. Hung Tsung Chin	July 30, 2005	HK$1.02	HK$1.020	500,000	–	–	–	–	500,000
Ms. Chen Mei Huei	July 30, 2005	HK$1.02	HK$1.020	500,000	–	–	–	–	500,000
Mr. Wang Yao Chu	July 30, 2005	HK$1.02	HK$1.020	500,000	–	–	–	–	500,000
Mr. Liao Wen I	July 30, 2005	HK$1.02	HK$1.020	500,000	–	–	–	–	500,000
Mr. Yip Ho Chi	July 30, 2005	HK$1.02	HK$1.020	500,000	–	–	(500,000)	–	–
				2,500,000	–	–	(500,000)	–	2,000,000
Employees	July 30, 2005	HK$1.02	HK$1.020	2,860,000	–	–	–	(100,000)	2,760,000
	December 16, 2006	HK$2.05	HK$2.050	1,100,000	–	–	–	–	1,100,000
	December 27, 2007	HK$1.76	HK$1.760	3,050,000	–	–	–	–	3,050,000
	April 1, 2009	HK$1.10	HK$1.114	–	3,050,000	–	–	–	3,050,000
Total				9,510,000	3,050,000	–	(500,000)	(100,000)	11,960,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION *(Continued)*

(ii) Share options *(Continued)*

Note:

The share options are vested in stages as follows:

On or after the second anniversary of the date of grant	50%
On or after the third anniversary of the date of grant	remaining 50%

Options granted on July 30, 2005 are exercisable until July 31, 2015, options granted on December 16, 2006 are exercisable until December 15, 2016, options granted on December 27, 2007 are exercisable until December 26, 2017 and options granted on April 1, 2009 are exercisable until March 31, 2019.

Save as disclosed above, as at June 30, 2009, none of the Directors and chief executives of the Company had or were deemed to have any interest, or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2009, the interests or short position of the following substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Capacity and nature of interests	Number of Company's shares held	Approximate percentage of interest
Metroasset Investments Limited	Beneficial owner	147,523,125	26.50% (Note 1)
Success Power Investments Limited	Beneficial owner	111,150,000	19.97% (Note 2)
Wellever Investments Limited	Beneficial owner	75,489,375	13.56% (Note 3)
CDIB Capital (Japan) Limited	Beneficial owner	48,000,000	8.62%

Notes:

1. Metroasset Investments Limited is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei as to 10.53%.

2. Success Power Investments Limited is held by Mr. Wang Yao Chu as to 58.80% and his wife, Ms. Tseng Wei Ti, as to 41.20%.

3. Wellever Investments Limited is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All the interests in the Company's shares stated above represent long position.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Save as disclosed above, so far as is known to the directors, as at June 30, 2009, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares or underlying shares in the Company which would fall to be disclosed to the Company pursuant to section 336 of the SFO.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme of the Company, at no time during the Year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Other employee benefits included insurance and medical cover, subsidised training programme as well as the share option scheme that is set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales attributable to the Group's five largest customers comprised approximately 39% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 26% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the Year were less than 19% of the total purchases.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's issued share capital had any interest in the share capital of any of the Group's five largest customers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the Year.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Hung Tsung Chin
Chairman
Hong Kong, October 19, 2009

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF
SANDMARTIN INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sandmartin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 79, which comprise the consolidated balance sheet as at June 30, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at June 30, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
October 19, 2009

Consolidated Income Statement

For the year ended June 30, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	5	**1,377,179**	1,725,083
Cost of sales		**(1,133,789)**	(1,394,062)
Gross profit		**243,390**	331,021
Other income		**12,976**	13,282
Other gains and losses		**(9,349)**	5,198
Increase in fair value of investment properties		**795**	2,828
Distribution and selling costs		**(56,150)**	(64,880)
Administrative expenses		**(113,713)**	(132,981)
Research and development costs		**(35,888)**	(39,263)
Impairment loss on trade receivables		**(1,250)**	(47,947)
Gain on disposal of a subsidiary		**–**	656
Finance costs	7	**(9,013)**	(17,654)
Profit before taxation		**31,798**	50,260
Income tax expense	8	**(1,148)**	(7,818)
Profit for the year	9	**30,650**	42,442
Attributable to:			
Equity holders of the Company		**32,191**	42,300
Minority interests		**(1,541)**	142
		30,650	42,442
Dividends	11	**3,340**	–
Earnings per share	12		
Basic		**5.8 HK cents**	7.7 HK cents
Diluted		**5.8 HK cents**	7.7 HK cents

Consolidated Balance Sheet

At June 30, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	**180,733**	203,539
Prepaid lease payments	14	**22,899**	23,468
Investment properties	15	**31,083**	30,341
Deposit paid for acquisition of property, plant and equipment	16	**–**	661
Goodwill	17	**84,681**	90,725
Intangible assets	18	**6,234**	10,333
Available-for-sale investments	19	**–**	15
Deferred tax assets	20	**8,723**	4,241
		334,353	363,323
Current assets			
Inventories	21	**227,496**	322,772
Trade and other receivables	22	**191,046**	231,212
Prepaid lease payments	14	**543**	544
Derivative financial instruments	23	**299**	2,198
Pledged bank deposits	24	**1,275**	9,716
Bank balances and cash	25	**173,305**	170,330
		593,964	736,772
Current liabilities			
Trade and other payables	26	**236,310**	305,170
Tax liabilities		**9,028**	10,655
Derivative financial instruments	23	**–**	3,307
Bank borrowings – due within one year	27	**84,955**	188,946
Obligations under finance leases			
– due within one year	28	**35**	166
		330,328	508,244
Net current assets		**263,636**	228,528
		597,989	591,851

Consolidated Balance Sheet

At June 30, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	29	**55,672**	55,672
Reserves		**508,494**	491,376
Equity attributable to equity holders of the Company		**564,166**	547,048
Minority interests		**10,225**	11,757
Total equity		**574,391**	558,805
Non-current liabilities			
Bank borrowings – due after one year	27	**16,184**	28,121
Deferred tax liabilities	20	**7,414**	4,916
Obligations under finance leases			
– due after one year	28	**–**	9
		23,598	33,046
		597,989	591,851

The consolidated financial statements on pages 23 to 79 were approved and authorised for issue by the Board of Directors on October 19, 2009 and are signed on its behalf by:

Hung Tsung Chin
DIRECTOR

Wang Yao Chu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended June 30, 2009

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At July 1, 2007	50,868	28,328	822	12,905	79,878	29	18,360	221,712	412,902	12,039	424,941
Exchange difference arising from translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	–	–	21,148	–	21,148	(424)	20,724
Net income recognised directly in equity	–	–	–	–	–	–	21,148	–	21,148	(424)	20,724
Profit for the year	–	–	–	–	–	–	–	42,300	42,300	142	42,442
Transfer to profit or loss on sales of available-for-sale investments	–	–	–	–	–	(29)	–	–	(29)	–	(29)
Total recognised income and expense for the year	–	–	–	–	–	(29)	21,148	42,300	63,419	(282)	63,137
Placing of new shares	4,800	64,800	–	–	–	–	–	–	69,600	–	69,600
Transaction costs attributable to placing of new shares	–	(58)	–	–	–	–	–	–	(58)	–	(58)
Exercise of share options	4	41	(4)	–	–	–	–	–	41	–	41
Recognition of equity-settled share-based payments	–	–	1,144	–	–	–	–	–	1,144	–	1,144
Transfer	–	–	–	2,902	–	–	–	(2,902)	–	–	–
At June 30, 2008	55,672	93,111	1,962	15,807	79,878	–	39,508	261,110	547,048	11,757	558,805
Exchange difference arising from translation of foreign operations, representing total expense recognised directly in equity	–	–	–	–	–	–	(13,382)	–	(13,382)	9	(13,373)
Net expense recognised directly in equity	–	–	–	–	–	–	(13,382)	–	(13,382)	9	(13,373)
Profit for the year	–	–	–	–	–	–	–	32,191	32,191	(1,541)	30,650
Total recognised income and expense for the year	–	–	–	–	–	–	(13,382)	32,191	18,809	(1,532)	17,277
Dividends recognised as distribution	–	–	–	–	–	–	–	(3,340)	(3,340)	–	(3,340)
Recognition of equity-settled share-based payments	–	–	1,649	–	–	–	–	–	1,649	–	1,649
Transfer	–	–	–	3,430	–	–	–	(3,430)	–	–	–
At June 30, 2009	**55,672**	**93,111**	**3,611**	**19,237**	**79,878**	**–**	**26,126**	**286,531**	**564,166**	**10,225**	**574,391**

Notes:

(a) The statutory reserve is required by the relevant law of The People's Republic of China (the "PRC") applicable to the subsidiaries in the PRC.

(b) The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation prior to the listing of the Company's shares and the surplus arising pursuant to a capitalisation of advances from shareholders as part of the group reorganisation.

Consolidated Cash Flow Statement

For the year ended June 30, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Operating activities			
Profit before taxation		**31,798**	50,260
Adjustments for:			
Amortisation of intangible assets		**3,339**	3,245
Depreciation of property, plant and equipment		**26,869**	39,009
Finance costs		**9,013**	17,654
Gain on disposal of property, plant and equipment		**(65)**	(1,131)
Gain on disposal of a subsidiary		**–**	(656)
Impairment loss on trade receivables		**1,250**	47,947
Impairment loss on goodwill		**3,055**	–
Impairment loss on inventories		**8,182**	4,069
Increase in fair value of investment properties		**(795)**	(2,828)
Interest income		**(994)**	(2,792)
Release of prepaid lease payments		**544**	501
Share-based payment expense		**1,649**	1,144
Fair value change on derivative financial instruments		**(299)**	1,113
Operating cash flows before movements in working capital		**83,546**	157,535
Decrease in inventories		**76,011**	98,015
Decrease in trade and other receivables		**17,449**	85,884
Decrease in derivative financial instruments		**(1,109)**	–
Decrease in trade and other payables		**(63,792)**	(226,325)
Cash generated from operations		**112,105**	115,109
Taxation in other jurisdictions paid		**(7,853)**	(14,889)
Taxation in other jurisdictions refunded		**2,994**	–
PRC enterprise income tax refunded in respect of reinvestment of dividend		**–**	6,537
Interest received		**994**	2,792
Interest paid		**(9,013)**	(17,654)
Net cash from operating activities		**99,227**	91,895
Investing activities			
Decrease in pledged bank deposits		**8,441**	1,009
Proceeds from disposal of property, plant and equipment		**2,251**	3,229
Proceeds from disposal of available-for-sale investments		**15**	2,089
Purchase of property, plant and equipment		**(9,140)**	(18,265)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	30	**(1,233)**	(20,503)
Decrease in other long term payable		**–**	(1,596)
Deposit paid for acquisition of property, plant and equipment		**–**	(661)
Expenditure on intangible assets-products development		**–**	(423)
Disposal of a subsidiary	31	**–**	654
Net cash from (used in) investing activities		**334**	(34,467)

Consolidated Cash Flow Statement

For the year ended June 30, 2009

	2009 HK$'000	2008 HK$'000
Financing activities		
Repayment of bank borrowings	**(93,245)**	(394,143)
Dividend paid	**(3,340)**	–
Repayment of obligations under finance leases	**(118)**	(668)
New bank borrowings raised	**–**	326,059
Proceeds from placing of shares	**–**	69,600
Proceeds from issue of shares upon exercise of share options	**–**	41
Expense on placing of new shares	**–**	(58)
Net cash (used in) from financing activities	**(96,703)**	831
Net increase in cash and cash equivalents	**2,858**	58,259
Cash and cash equivalents at beginning of the year	**170,330**	114,111
Effect of foreign exchange rate changes	**117**	(2,040)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**173,305**	170,330

1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Company was United States dollars ("USD"). As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[7]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[7]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

[1] Effective for annual periods beginning on or after January 1, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009

[2] Effective for annual periods beginning on or after January 1, 2009, July 1, 2009 and January 1, 2010, as appropriate

[3] Effective for annual periods beginning on or after January 1, 2009

[4] Effective for annual periods beginning on or after July 1, 2009

[5] Effective for annual periods beginning on or after October 1, 2008

[6] Effective for transfers on or after July 1, 2009

[7] Effective for annual periods beginning on or after January 1, 2010

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns and discounts.

Revenue from sale of goods is recognised when then goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance, from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Freehold land is stated at cost less accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments, represent up-front payments to acquire leasehold land interest, are stated at cost and amortised over the period of the lease on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases, except for those that are classified and accounted for as investment properties under the fair value model.

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after July 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidation income statement in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") and the state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share option granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status, creditworthiness and the past collection history of each customer. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at June 30, 2009, the carrying value of trade receivables was HK$164,599,000 (2008: HK$192,479,000) (net of allowance for doubtful debts of HK$99,056,000 (2008: HK$103,322,000)). Details of the movement of allowance for doubtful debts are disclosed in note 22.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the future cash flow and the discount rate are different from the original estimate, such difference will impact the carrying value of goodwill and impairment loss in the year in which such estimate has been changed. As at June 30, 2009, the carrying amount of goodwill was HK$84,681,000 (2008: HK$90,725,000), net of accumulated impairment loss of HK$3,055,000 (2008: Nil). Details of the recoverable amount calculation are disclosed in note 17.

Impairment loss on inventories

Management reviews the inventories listing at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than the cost, a material write down may arise. As at June 30, 2009, the carrying amount of inventories (net of allowances) was HK$227,496,000 (2008: HK$322,772,000).

5. REVENUE

Revenue represents the amounts received and receivable for goods sold, less returns and discounts, by the Group to outside customers during the year.

6. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions – media entertainment platform related products and other multimedia products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Media entertainment platform related products	–	manufacture and trading of media entertainment platform related products
Other multimedia products	–	manufacture and trading of connectors, cables and assorted electronic accessories

Year ended June 30, 2009

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Total HK$'000
REVENUE			
External sales	883,764	493,415	1,377,179
RESULTS			
Segment results	116,289	66,644	182,933
Other income			12,976
Other gains and losses			(9,349)
Increase in fair value of investment properties			795
Unallocated corporate expenses			(146,544)
Finance costs			(9,013)
Profit before taxation			31,798
Income tax expense			(1,148)
Profit for the year			30,650

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

At June 30, 2009

BALANCE SHEET

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Total HK$'000
ASSETS			
Segment assets	482,890	183,527	666,417
Unallocated corporate assets			261,900
Consolidated total assets			928,317
LIABILITIES			
Segment liabilities	139,317	62,450	201,767
Unallocated corporate liabilities			152,159
Consolidated total liabilities			353,926

Year ended June 30, 2009

OTHER INFORMATION

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Corporate HK$'000	Total HK$'000
Capital additions	4,642	3,665	1,494	9,801
Depreciation and amortisation	21,660	7,004	1,544	30,208
Release of prepaid lease payment	314	61	169	544
Impairment loss on goodwill	–	3,055	–	3,055
Impairment loss on trade receivables	1,232	18	–	1,250

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended June 30, 2008

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Total HK$'000
REVENUE			
External sales	1,213,900	511,183	1,725,083
RESULTS			
Segment results	156,127	62,067	218,194
Other income			13,282
Other gains and losses			5,198
Increase in fair value of investment properties			2,828
Gain on disposal of a subsidiary			656
Unallocated corporate expenses			(172,244)
Finance costs			(17,654)
Profit before taxation			50,260
Income tax expense			(7,818)
Profit for the year			42,442

At June 30, 2008

BALANCE SHEET

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Total HK$'000
ASSETS			
Segment assets	585,579	246,899	832,478
Unallocated corporate assets			267,617
Consolidated total assets			1,100,095
LIABILITIES			
Segment liabilities	180,624	98,604	279,228
Unallocated corporate liabilities			262,062
Consolidated total liabilities			541,290

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended June 30, 2008

OTHER INFORMATION

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Corporate HK$'000	Total HK$'000
Capital additions	38,823	3,504	651	42,978
Depreciation and amortisation	22,042	18,565	1,647	42,254
Release of prepaid lease payment	294	38	169	501
Impairment loss on trade receivables	46,677	1,270	–	47,947

Geographical segments

The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2009 HK$'000	2008 HK$'000
Middle East	**492,909**	698,853
Europe	**393,781**	539,420
North America	**247,705**	265,035
Africa	**106,923**	83,709
South America	**77,760**	78,337
Asia		
– Taiwan	**23,837**	20,661
– Others	**31,450**	24,972
Other regions	**2,814**	14,096
	1,377,179	1,725,083

6. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia				
– PRC	**350,104**	499,154	**6,357**	13,940
– Taiwan	**7,045**	8,315	**912**	–
Europe	**288,294**	299,152	**2,532**	29,038
Other regions	**20,974**	25,857	**–**	–
	666,417	832,478	**9,801**	42,978

7. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**8,714**	15,489
– bank borrowings not wholly repayable within five years	**299**	239
– obligations under finance leases	**–**	7
– deferred consideration	**–**	1,919
Total borrowing costs	**9,013**	17,654

8. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
The tax charge comprises:		
Current tax:		
PRC	4,607	7,987
Jurisdictions other than the PRC and Hong Kong	4,397	5,360
(Over) underprovision in prior years	(2,666)	204
PRC enterprise income tax refunded in respect of reinvestment of dividend	–	(6,537)
Tax refunded in respect of research and development activities in other jurisdiction	(2,994)	–
	3,344	7,014
Deferred taxation:		
Current year	(3,954)	(370)
Provision for withholding tax	2,664	1,397
Attributable to a change in tax rate	(906)	(223)
	(2,196)	804
	1,148	7,818

The tax rates applicable to the Group's principal operating subsidiaries are as follows:

(i) PRC

Pursuant to the relevant laws and regulations in the PRC, 珠海保稅區虹揚電子科技有限公司 and 珠海保稅區隆宇光電科技有限公司 are entitled to exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation, followed by a 50% tax relief for the next three years ("Tax Holidays"). The Tax Holidays for both subsidiaries expired on December 31, 2007. On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. As for 珠海保稅區虹揚電子科技有限公司 and 珠海保稅區隆宇光電科技有限公司 that were qualified under old law of regulations for incentive tax rate, the New Law and the Implementation Regulations provide for a transitional period of 5 years commencing January 1, 2008 for the PRC enterprise tax rate to reach 25%.

中山聖馬丁電子元件有限公司, established in a "Coastal Open Economic Zone", was subject to a reduced PRC enterprise income tax rate of 24%. In addition, it was qualified as an exported oriental enterprise and continued to enjoy the reduced tax rate of 12% ("Reduced Tax Rate") in 2007. The tax rate has changed to 25% starting from January 1, 2008. During the year, 中山聖馬丁電子元件有限公司 successfully applied for High and New Technology Enterprises Status, the applicable tax rate is reduced to 15% from January 1, 2008 to December 31, 2010.

8. INCOME TAX EXPENSE *(Continued)*

(ii) Hong Kong

No tax is payable on the profit for the year arising in Hong Kong as the assessable profit is wholly absorbed by tax losses brought forward.

(iii) Europe

The Group's European subsidiaries are subject to profit tax rates at range of 27.5% to 30% (2008: 30% to 33%).

(iv) Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated October 18, 1999, the Macau subsidiary is exempted from Macao Complementary Tax.

(v) Others

Other subsidiaries operating in other jurisdictions are subject to applicable tax rates in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**31,798**	50,260
Tax at the applicable rate of 25% (2008: 25%)	**7,949**	12,565
Tax effect of income subject to falling within Reduced Tax Rate	**(1,312)**	(2,342)
Tax effect of expenses not deductible for tax purpose	**10,273**	13,783
Tax effect of income not taxable for tax purpose	**(3,095)**	(5,190)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**255**	968
Tax effect of exemption granted to Macau subsidiary	**(8,665)**	(6,802)
Tax effect of utilisation of tax losses previously not recognised	**(355)**	(451)
(Over)underprovision in prior years	**(2,666)**	204
PRC enterprise income tax refunded in respect of reinvestment of dividend	**–**	(6,537)
Tax refunded in respect of research and development activities in other jurisdiction	**(2,994)**	–
Deferred taxation arising from dividend withholding tax	**2,664**	1,397
Increase in opening deferred tax asset resulting from an increase in applicable tax rate	**(906)**	223
Tax charge for the year	**1,148**	7,818

Details of deferred taxation for the year are set out in note 20.

9. PROFIT FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 10)	**8,690**	9,998
Other staff costs	**144,881**	144,952
Retirement benefit scheme contributions, excluding directors	**11,512**	10,649
Share-based payment expense, excluding directors	**1,644**	1,044
Total employee benefit expenses	**166,727**	166,643
Auditor's remuneration	**2,015**	2,459
Depreciation of property, plant and equipment	**26,869**	39,009
Amortisation of intangible assets (included in cost of sales)	**3,339**	3,245
Release of prepaid lease payments	**544**	501
Impairment loss on goodwill (included in other gains and losses) (note 17)	**3,055**	–
Impairment loss on inventories (included in cost of sales)	**8,182**	4,069
Change in fair value of derivative financial instruments (included in other gains and losses)	**(299)**	1,113
Foreign exchange loss (included in other gains and losses)	**6,225**	14,488
and after crediting:		
Bank interest income	**994**	2,792
Foreign exchange gain (included in other gains and losses)	**1,586**	19,919
Gain on disposal of property, plant and equipment	**65**	1,131
Property rental income with negligible outgoings	**2,719**	2,232

Included in the total employee benefit expenses is an aggregate amount of HK$11,567,000 (2008: HK$11,179,000) in respect of contributions of retirement benefits schemes made by the Group.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the directors were as follows:

Year ended June 30, 2009

	Mr. Hung Tsung Chin HK$'000	Ms. Chen Mei Huei HK$'000	Mr. Wang Yao Chu HK$'000	Mr. Liao Wen I HK$'000	Mr. Yip Ho Chi HK$'000 (note i)	Mr. Hsu Chun Yi HK$'000	Mr. Chen Chung Ho HK$'000 (note ii)	Mr. Tsan Wen Nan HK$'000	Mr. Lee Chien Kuo HK$'000 (note iii)	Total HK$'000
Fees	–	–	–	–	–	40	23	40	17	120
Other emoluments:										
– salaries and other benefits	1,937	2,600	1,601	1,303	1,069	–	–	–	–	8,510
– retirement benefit schemes contributions	11	10	11	11	12	–	–	–	–	55
– share-based payment expense	1	1	1	1	1	–	–	–	–	5
Total emoluments	1,949	2,611	1,613	1,315	1,082	40	23	40	17	8,690

Notes:

(i) Mr. Yip Ho Chi resigned as a director of the Company on June 15, 2009.

(ii) Mr. Chen Chung Ho resigned as a director of the Company on February 2, 2009.

(iii) Mr. Lee Chien Kuo was appointed as a director of the Company on February 2, 2009.

Year ended June 30, 2008

	Mr. Hung Tsung Chin HK$'000	Ms. Chen Mei Huei HK$'000	Mr. Wang Yao Chu HK$'000	Mr. Liao Wen I HK$'000	Mr. Yip Ho Chi HK$'000	Mr. Hsu Chun Yi HK$'000	Mr. Chen Chung Ho HK$'000	Mr. Tsan Wen Nan HK$'000	Total HK$'000
Fees	–	–	–	–	–	40	40	40	120
Other emoluments:									
– salaries and other benefits	1,944	2,530	1,607	1,309	1,040	–	–	–	8,430
– bonus	333	399	280	220	60	–	–	–	1,292
– retirement benefit schemes contributions	11	10	12	11	12	–	–	–	56
– share-based payment expense	20	20	20	20	20	–	–	–	100
Total emoluments	2,308	2,959	1,919	1,560	1,132	40	40	40	9,998

Bonus were determined with reference to the Group's operating results, individual performances and comparable market statistics. No bonus was paid by the Group for the year ended June 30, 2009.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: three) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining one (2008: two) individuals are as follow:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**1,993**	4,808

The emoluments were within the following band:

	2009 No. of employees	2008 No. of employees
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	1

During each of the two years ended June 30, 2009, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived any emoluments for each of the two years ended June 30, 2009.

11. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividends recognised as distribution during the year:		
Interim – HK0.6 cents per share (2008: Nil)	**3,340**	–

The final dividend of HK1.6 cents (2008: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

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

	2009 HK$'000	2008 HK$'000
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to equity holders of the Company	**32,191**	42,300

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**556,722,000**	546,323,000
Effect of dilutive potential ordinary shares in respect of share options	**1,413,000**	2,248,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**558,135,000**	548,571,000

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Taiwan HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
COST								
At July 1, 2007	2,413	120,389	11,381	204,265	10,342	7,404	6,958	363,152
Exchange adjustments	263	13,172	1,294	22,812	1,096	562	889	40,088
Additions	–	–	196	13,915	1,042	1,099	2,792	19,044
Acquired on acquisition of subsidiary	–	–	–	–	–	170	69	239
Disposals	–	–	(22)	(1,319)	(378)	(5,416)	(274)	(7,409)
At June 30, 2008	2,676	133,561	12,849	239,673	12,102	3,819	10,434	415,114
Exchange adjustments	(297)	(2,496)	(447)	(1,363)	(207)	(200)	(138)	(5,148)
Reclassification	–	2,287	831	(15,365)	10,021	–	2,226	–
Additions	–	1,266	1,580	2,281	1,650	454	2,570	9,801
Disposals	–	(1,212)	–	(2,465)	(1,956)	(1,558)	(809)	(8,000)
At June 30, 2009	**2,379**	**133,406**	**14,813**	**222,761**	**21,610**	**2,515**	**14,283**	**411,767**
DEPRECIATION								
At July 1, 2007	–	12,093	4,079	127,381	7,213	5,210	5,466	161,442
Exchange adjustments	–	1,031	455	13,267	501	306	875	16,435
Provided for the year	–	2,265	2,036	29,057	2,902	1,039	1,710	39,009
Eliminated on disposals	–	–	(11)	(952)	(291)	(3,798)	(259)	(5,311)
At June 30, 2008	–	15,389	6,559	168,753	10,325	2,757	7,792	211,575
Exchange adjustments	–	(139)	(178)	(1,010)	(168)	(16)	(85)	(1,596)
Reclassification	–	1,634	831	(11,757)	7,581	–	1,711	–
Provided for the year	–	2,645	1,293	15,620	2,438	764	4,109	26,869
Eliminated on disposals	–	(352)	–	(1,626)	(1,801)	(1,296)	(739)	(5,814)
At June 30, 2009	**–**	**19,177**	**8,505**	**169,980**	**18,375**	**2,209**	**12,788**	**231,034**
CARRYING VALUES								
At June 30, 2009	**2,379**	**114,229**	**6,308**	**52,781**	**3,235**	**306**	**1,495**	**180,733**
At June 30, 2008	2,676	118,172	6,290	70,920	1,777	1,062	2,642	203,539

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Buildings	50 years or over the term of lease or land use rights, whichever is shorter
Leasehold improvements	20% or over the term of lease, whichever is shorter
Plant and machinery	10% – 33$^1/_3$%
Furniture, fixtures and equipment	20%
Motor vehicles	20% – 33$^1/_3$%
Computer equipment	20% – 33$^1/_3$%

At June 30, 2009, the carrying value of property, plant and equipment included an amount of HK$57,000 (2008: HK$370,000) in respect of assets held under finance leases.

14. PREPAID LEASE PAYMENTS

	2009	2008
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong		
Long lease	**7,837**	8,006
Leasehold land outside Hong Kong		
Medium-term lease	**15,605**	16,006
	23,442	24,012
Analysed for reporting purposes as:		
Current asset	**543**	544
Non-current asset	**22,899**	23,468
	23,442	24,012

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At July 1, 2007	24,785
Exchange adjustments	2,728
Changes in fair value recognised in consolidated income statement	2,828
At June 30, 2008	30,341
Exchange adjustments	(53)
Changes in fair value recognised in consolidated income statement	795
At June 30, 2009	**31,083**

The fair value of the Group's investment properties at June 30, 2009 has been arrived at on the basis of a valuation carried out as of that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuer not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors (the "HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The carrying value of investment properties shown above comprises properties situated in the PRC under medium-term lease. They are held for rental purpose under operating leases.

16. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At June 30, 2008, the deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities. The acquisition was completed during the year.

17. GOODWILL

	2009 HK$'000	2008 HK$'000
COST		
At July 1	**90,725**	70,294
Exchange adjustments	**(2,989)**	769
Arising on acquisition of subsidiaries (note 30)	**–**	19,662
At June 30	**87,736**	90,725
IMPAIRMENT		
Impairment loss recognised in the year and balance at June 30	**3,055**	–
CARRYING AMOUNTS		
At June 30	**84,681**	90,725

As explained in note 6, the Group uses business segments as its primary segment reporting information. For the purposes of impairment testing, goodwill has been allocated to three cash generating units ("CGUs"), including one subsidiary in other multimedia products segment and two subsidiaries in media entertainment platform related products segment. The carrying amounts of goodwill allocated to these CGUs are as follows:

	2009 HK$'000	2008 HK$'000
Media entertainment platform related products		
– BCN Distribuciones, S.A.	**64,363**	65,154
– Intelligent Digital Services GmbH	**17,263**	19,461
Other multimedia products	**3,055**	6,110
	84,681	90,725

As at December 31, 2008, the recoverable amount of the CGU based on value in use calculation of media entertainment platform related products segment is greater than its carrying amount, and no impairment was noted, however, the other multimedia products segment is less than its carrying amount, accordingly, an impairment loss of HK$3,055,000 (2008: nil) was recognised for other multimedia products segment. As at June 30, 2009, the management reassessed the cash flow projections of the CGUs engaged in both media entertainment platform related products and other multimedia products segment. The recoverable amount of both CGUs based on value in use calculation is greater than its carrying amount, therefore no further impairment loss is recognised.

17. GOODWILL *(Continued)*

The recoverable amount of these units as of June 30, 2009 has been determined based on a value in use calculation. For impairment assessment purpose, such calculation uses cash flow projections covered a five-year period for impairment assessment purpose and adopted discount rates of 8% for both CGUs. Media entertainment platform related products and other multimedia product's cash flow beyond the five-year period are extrapolated for 2 years with no growth. The cash flow projections are from the most recent financial budgets that cover a five-year period approved by management. The key assumptions for the value in use calculations is the budgeted gross margin and budgeted revenue, which are determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate recoverable amount of these units to fall below this carrying amounts.

18. INTANGIBLE ASSETS

	Product technology	Trademarks	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At July 1, 2007	9,395	1,211	–	10,606
Exchange adjustments	578	–	288	866
Arising on acquisition of subsidiaries	42	–	3,568	3,610
Additions	423	–	–	423
At June 30, 2008	10,438	1,211	3,856	15,505
Exchange adjustments	(706)	–	(436)	(1,142)
At June 30, 2009	**9,732**	**1,211**	**3,420**	**14,363**
AMORTISATION				
At July 1, 2007	1,334	363	–	1,697
Exchange adjustments	201	–	29	230
Provided for the year	2,646	242	357	3,245
At June 30, 2008	4,181	605	386	5,172
Exchange adjustments	(338)	–	(44)	(382)
Provided for the year	2,413	242	684	3,339
At June 30, 2009	**6,256**	**847**	**1,026**	**8,129**
CARRYING VALUES				
At June 30, 2009	**3,476**	**364**	**2,394**	**6,234**
At June 30, 2008	6,257	606	3,470	10,333

Others represent the fair value of the research and development team of Intelligent Digital Services GmbH, a subsidiary that the Group acquired in January 2008 (see note 30). The mature research and development team can support the group for further expansion.

The above intangible assets have finite useful lives and are amortised on a straight-line basis over 5 years.

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments represented listed equity investments outside Hong Kong.

At June 30, 2008, all available-for-sale investments were stated at fair value. Fair value of those investments was determined by reference to quoted market bid prices in active markets.

20. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years:

	Fair value adjustment on intangible asset	Tax losses	Deferred expenditure	Revaluation of investment properties	Provision for PRC withholding tax	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At July 1, 2007	–	703	1,219	–	–	(903)	1,019
Exchange adjustments	(87)	225	224	–	(95)	(87)	180
Credit (charge) to consolidated income statement for the year	–	1,508	215	(1,961)	–	608	370
Acquire on acquisition of subsidiary	(1,070)	–	–	–	–	–	(1,070)
Provision for PRC withholding tax	–	–	–	–	(1,397)	–	(1,397)
Effect of change in tax rate	–	(3)	223	–	–	3	223
At June 30, 2008	(1,157)	2,433	1,881	(1,961)	(1,492)	(379)	(675)
Exchange adjustments	136	(269)	(132)	–	7	46	(212)
Credit (charge) to consolidated income statement for the year	302	6	4,425	(1,208)	–	429	3,954
Provision for PRC withholding tax	–	–	–	–	(2,664)	–	(2,664)
Effect of change in tax rate	–	–	122	784	–	–	906
At June 30, 2009	**(719)**	**2,170**	**6,296**	**(2,385)**	**(4,149)**	**96**	**1,309**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 HK$'000	2008 HK$'000
Deferred tax assets	**8,723**	4,241
Deferred tax liabilities	**(7,414)**	(4,916)
	1,309	(675)

At June 30, 2009, the Group had unused tax losses of HK$16,087,000 (2008: HK$16,133,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$7,617,000 (2008: HK$7,611,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$8,470,000 (2008: HK$8,522,000) due to the unpredictability of future profit streams.

Included in the unrecognised tax losses are losses of HK$8,007,000 (2008: HK$7,307,000) that will expire in ten years. Other tax losses may be carried forward indefinitely.

21. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	**68,731**	99,427
Work in progress	**22,814**	69,640
Finished goods	**135,951**	153,705
	227,496	322,772

22. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**263,655**	295,801
Less: allowance for doubtful debts	**(99,056)**	(103,322)
	164,599	192,479
Other receivables	**26,447**	38,733
Total trade and other receivables	**191,046**	231,212

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet dates:

	2009 HK$'000	2008 HK$'000
0 – 30 days	**96,371**	109,265
31 – 60 days	**33,487**	42,828
61 – 90 days	**19,522**	23,763
91 – 180 days	**14,662**	13,709
More than 180 days	**557**	2,914
	164,599	192,479

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. 91% (2008: 91%) of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$15,219,000 (2008: HK$16,623,000) which was past due at the reporting date but for which the Group has not provided for impairment loss because management believes that the fundamental credit quality of the relevant customers has not deteriorated.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired:

	2009 **HK$'000**	2008 HK$'000
91 – 180 days	**14,662**	13,709
More than 180 days	**557**	2,914
	15,219	16,623

Movement in the allowance for doubtful debts:

	2009 **HK$'000**	2008 HK$'000
Balance at beginning of the year	**103,322**	55,241
Impairment loss recognised on receivables	**1,250**	47,947
Amounts written off as uncollectable	**(820)**	–
Amounts recovered during the year	**(4,501)**	–
Exchange realignment	**(195)**	134
Balance at the end of the year	**99,056**	103,322

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$99,056,000 (2008: HK$103,322,000), which was long outstanding over 1 year and legal actions have been taken. The Group does not held any collateral over these balances.

During the year, the Group discounted certain bill receivables to financial institutions with recourse. The Group continues to recognise the full carrying amount of the receivables as the Group is still exposed to credit risk on these receivables. At June 30, 2009, the carrying amount of the bills discounted was HK$770,000 (2008: HK$10,601,000). The carrying amount of the associated liability which represented the cash received from discounted bills (see note 27) was HK$766,000 (2008: HK$9,011,000).

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars HK$'000	**Renminbi** HK$'000
As at June 30, 2009	**–**	**11,697**
As at June 30, 2008	624	14,797

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Foreign currency forward contracts	**299**	**–**	2,198	3,307

Major terms of the outstanding foreign currency forward contracts as at June 30, 2009 are as follows:

Notional amount	**Forward Contract Rates**	**Maturity**
10 contracts to buy US$10,000,000 in total	US$1 to RMB6.7300 – 6.8280	From September 2, 2009 to June 2, 2010
10 contracts to sell US$10,000,000 in total	US$1 to RMB6.8200 – 6.8303	From September 1, 2009 to June 1, 2010

Major terms of the outstanding foreign currency forward contracts as at June 30, 2008 are as follows:

Notional amount	**Forward Contract Rates**	**Maturity**
17 contracts to buy US$17,000,000 in total	US$1 to RMB6.3260 – 7.1675	From July 16, 2008 to April 2, 2009
9 contracts to sell US$18,000,000 in total	US$1 to RMB6.4104 – 6.7741	From July 31, 2008 to March 31, 2009

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the prices provided by counterparty multi-national financial institutions for equivalent instruments at the balance sheet date.

The Group's derivative financial instruments that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars	
	Assets	**Liabilities**
	HK$'000	HK$'000
As at June 30, 2009	**299**	**–**
As at June 30, 2008	2,198	3,307

24. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure short-term bank borrowings granted to the Group. The deposits carry fixed interest rates ranged from 0.05% to 2.5% (2008: 1.15% to 5.8%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

25. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and cash held and short-term bank deposits that are interest-bearing at floating interest rate and are with maturity of three months or less. The bank deposits carry fixed interest rates ranged from 0.01% to 0.25% (2008: 0.02% to 1.1%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars	**Hong Kong dollars**	**Renminbi**
	HK$'000	HK$'000	HK$'000
As at June 30, 2009	**44,508**	**2,580**	**1,174**
As at June 30, 2008	61,123	2,042	1,623

26. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	2009	2008
	HK$'000	HK$'000
0 – 30 days	**102,884**	154,441
31 – 60 days	**50,231**	67,918
61 – 90 days	**28,782**	37,605
91 – 180 days	**13,246**	11,675
181 – 365 days	**324**	1,693
	195,467	273,332
Other payables	**40,843**	31,838
Total trade and other payables	**236,310**	305,170

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

26. TRADE AND OTHER PAYABLES *(Continued)*

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Renminbi
	HK$'000
As at June 30, 2009	**32,247**
As at June 30, 2008	111,359

27. BANK BORROWINGS

	2009	2008
	HK$'000	HK$'000
Trust receipt loans	**9,342**	56,951
Bank loans	**91,031**	151,105
Bills discounted with recourse	**766**	9,011
	101,139	217,067
Analysed as:		
Secured	**766**	20,344
Unsecured	**100,373**	196,723
	101,139	217,067
Carrying amount repayable:		
Within one year	**84,955**	188,946
In more than one year but not more than two years	**4,889**	6,827
In more than two years but not more than three years	**4,541**	5,841
In more than three years but not more than four years	**3,132**	5,833
In more than four years but not more than five years	**1,670**	4,160
More than five years	**1,952**	5,460
	101,139	217,067
Less: Amount due within one year shown under current liabilities	**(84,955)**	(188,946)
Amount due after one year	**16,184**	28,121

As at June 30, 2009, certain Group's bank borrowings carried interest at floating rate of Euro Interbank Offered Rate ("EURIBOR") + 0.75% to EURIBOR + 1%.

27. BANK BORROWINGS *(Continued)*

The range of the effective interest rates on the Group's bank borrowings are as follows:

	2009	2008
Variable interest rate borrowings	**1.58% – 5.35%**	5.95% – 7.36%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars HK$'000
As at June 30, 2009	**766**
As at June 30, 2008	72,542

28. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is three years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5.5% (2008: ranged from 5.25% to 5.5%) per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Amounts payable under finance leases:				
Within one year	**37**	173	**35**	166
In more than one year but not more than two years	**–**	10	**–**	9
	37	183		
Less: Future finance charges	**(2)**	(8)		
Present value of lease obligations	**35**	175	**35**	175
Less: Amount due within one year shown under current liabilities			**(35)**	(166)
Amount due after one year			**–**	9

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

29. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At July 1, 2007, June 30, 2008 and 2009	1,000,000,000	100,000
Issued and fully paid:		
At July 1, 2007	508,682,000	50,868
Exercise of share options (i)	40,000	4
Placing of new shares (ii)	48,000,000	4,800
At June 30, 2008 and 2009	**556,722,000**	**55,672**

(i) During the year ended June 30, 2008, a total of 40,000 ordinary shares of the Company were issued upon the exercise of 40,000 share options at an exercise price of HK$1.02 with a consideration of HK$40,800.

(ii) Pursuant to a subscription agreement dated September 6, 2007, an independent third party agreed to subscribe 48,000,000 shares in the Company at a price of HK$1.45 per share. The subscription price represented a discount of 11.59% to the closing price of HK$1.64 per share as quoted on the Stock Exchange on September 5, 2007, being the last day of trading of the Company's shares on the Stock Exchange prior to the date of the subscription agreement. In the opinion of the directors, the discount was necessary and reasonable taking into account the trading volume and the Company's shares and the quantum of the shares subscribed under the subscription agreement. The subscription was completed on September 18, 2007.

30. ACQUISITION OF A SUBSIDIARY

On January 1, 2008, the Group acquired 100% equity interest in Intelligent Digital Services GmbH from independent third parties, which is principally engaged in the design and manufacture of digital television equipment, for a cash consideration of EUR1,800,000 (equivalent to approximately HK$22,194,000).

The net assets acquired in the transaction, and the goodwill arising thereof, are as follows:

	2008		
	Acquirees' carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Property, plant and equipment	239	–	239
Intangible assets	42	3,568	3,610
Inventories	124	–	124
Trade and other receivables	13,599	–	13,599
Bank balances and cash	458	–	458
Trade and other payables	(13,483)	–	(13,483)
Tax liabilities	(589)	–	(589)
Deferred tax liabilities	–	(1,070)	(1,070)
Bank and other borrowings	(356)	–	(356)
	34	2,498	2,532
Goodwill			19,662
Total consideration			22,194
Total consideration satisfied by:			
Cash			20,961
Deferred consideration			1,233
			22,194
Net cash (outflow) inflow arising on acquisition:			
Cash consideration paid			(20,961)
Cash and cash equivalents acquired			458
			(20,503)

The deferred consideration was fully settled on September 30, 2008.

30. ACQUISITION OF A SUBSIDIARY *(Continued)*

The goodwill arising on the acquisition is attributable to the anticipated profitability of the acquired business and the anticipated future operating synergies from the combination.

For the year ended June 30, 2008, the subsidiaries acquired contributed HK$15,588,000 to the Group's revenue and contributed a loss of HK$89,000 to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.

Had the acquisition been completed on July 1, 2007, total Group revenue for the year ended June 30, 2008 would have been HK$1,745,390,000 and the profit for the year ended June 30, 2008 would have been HK$42,676,000. This proforma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on July 1, 2007, nor is it intended to be a projection of future results.

31. DISPOSAL OF A SUBSIDIARY

During the year ended June 30, 2008, the Group disposed of a wholly owned subsidiary to independent third parties for a cash consideration of RMB600,000 (equivalent to approximately HK$655,000). The disposal assets and liabilities disposed were insignificant and resulted in a gain on disposal of HK$656,000 to the Group.

At the disposal date, the entity had a cash balance of HK$1,000. The net cash inflow arising on disposal of HK$654,000.

32. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2009 **HK$'000**	2008 HK$'000
Premises	**9,537**	7,806

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**9,565**	7,738
In the second to fifth year inclusive	**36,929**	26,962
Over five years	**–**	1,459
	46,494	36,159

Operating lease payments represent rentals payable by the Group for certain of its offices and factories. Leases are negotiated for lease term ranged from one to four years.

32. OPERATING LEASES *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$2,719,000 (2008: HK$2,232,000) with negligible outgoings. All of the investment properties held have committed tenants for the next three to five years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2009 **HK$'000**	2008 HK$'000
Within one year	**1,663**	2,559
In the second to fifth year inclusive	**1,424**	1,365
Over fifth year	**1**	45
	3,088	3,969

33. CAPITAL COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**–**	2,518

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 27, equity reserves attributable to equity holders of the Group, comprising issued share capital and various reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debts.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**354,121**	372,525
Derivative financial instruments	**299**	2,198
Available-for-sale investment	**–**	15
	354,420	374,738
Financial liabilities		
Amortised cost	**322,702**	490,574
Derivative financial instruments	**–**	3,307
	322,702	493,881

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, derivative financial instruments, pledged bank deposits, bank balances and cash, trade payables, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign exchange risk.

The carrying amounts of the Group's foreign currency (as in relation to the functional currency of the relevant group entities) denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Renminbi ("RMB")	**32,247**	111,359	**12,871**	16,420
Hong Kong dollars ("HKD")	**–**	–	**2,580**	2,042
United States dollars ("USD")	**766**	75,849	**44,807**	63,945

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

As HKD is pegged with USD, the Group's currency risk relative to USD in relation to the monetary assets/liabilities denominated in HKD is not expected to be significant. In addition, the directors of the Company consider the exposure of EUR against the foreign currencies is insignificant and no relevant sensitivity analysis is presented.

The Group is mainly exposed to RMB. The Group does not have a formal foreign currency hedging policy. During both years, the Group has entered into certain foreign currency forward contracts. The directors of the Company consider the movement of the exchange rate of RMB/USD will not have significant impact and no relevant sensitivity analysis is presented. But management monitors the Group's foreign currency exposure and will enter into forward contracts when movement in RMB/USD exchange rate moves outside management's expected range in order to minimise the exchange rate risk.

The following table details the Group's sensitivity to a 5% increase and decrease in functional currency of respective group entities against RMB. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only RMB monetary assets and liabilities at the balance sheet date. A negative number below indicates a decrease in profit where RMB strengthen 5% against the functional currency. For a 5% weakening of RMB against the functional currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be positive.

	RMB	
	2009	2008
	HK$'000	HK$'000
Profit for the year	**(728)**	(4,100)

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate bank deposits as set out in notes 24 and 25.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings as set out in notes 25 and 27 respectively. It is the Group's policy to keep its balances and borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate arising from the Group's EUR borrowings.

Sensitivity analysis

The bank balances of the Group carry floating-rate of interests and have exposure to cash flow interest rate risk. The directors of the Company consider the exposure is insignificant and no sensitivity analysis is therefore presented.

The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The directors of the Company monitor the exposure on an ongoing basis and will consider hedging significant interest rate risks should the needs arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for a variable rate bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point change is used and represents management's assessment of the reasonably possible change in interest rates.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

A summary of the Group's monetary liabilities at the balance sheet date that carried variable interest rate is as follows:

	2009 HK$'000	2008 HK$'000
Liabilities	**101,139**	217,067

Based on the above summary, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended June 30, 2009 would decrease or increase by HK$506,000 (2008: decrease or increase by HK$1,085,000), and vice versa. The Group's sensitivity to interest rates has decreased during the year mainly due to a decrease in bank borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at June 30, 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has delegated a team for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. During the year, impairment losses of HK$1,250,000 (2008: HK$47,947,000) had been made for the long outstanding major customers, representing the full irrecoverable amount of those customers. In this regard, the directors of the Company consider that the Group's credit risk in other debts is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk as 26% (2008: 20%) and 39% (2008: 36%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at June 30, 2009 HK$'000
2009							
Trade and other payables	–	132,956	88,572	–	–	221,528	221,528
Bank borrowings	4.90	30,195	29,302	29,302	17,296	106,095	101,139
Obligations under finance leases	5.40	37	–	–	–	37	35
		163,188	117,874	29,302	17,296	327,660	322,702

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at June 30, 2008 HK$'000
2008							
Trade and other payables	–	50,973	222,359	–	–	273,332	273,332
Bank borrowings	6.66	16,794	33,588	151,147	29,994	231,523	217,067
Obligations under finance leases	5.40	15	29	131	9	184	175
		67,782	255,976	151,278	30,003	505,039	490,574
Derivatives (net settlement)							
Foreign currency forward contracts		118	424	2,765	–	3,307	3,307

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets (including available for sale investments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on March 17, 2005 (the "Option Scheme"), the Company may grant options to the directors or employees, any business consultants, business partners, suppliers, customers, agents or financial or legal advisers of the Company or any of its subsidiaries, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered.

The exercise price of the share option will be determined at the highest of:

(i) the closing price of the Company's shares on the Stock Exchange on the date of grant;

(ii) the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Option Scheme, or any conditions stipulated by the board of directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of the Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the share options of the Company entitled by the Company's directors or employees during the year:

			Number of share options							
Type of grantee	Date of grant (note 2)	Exercise price (note 1)	Outstanding at July 1, 2007	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at June 30, 2008	Granted during the year	Forfeited during the year	Outstanding at June 30, 2009
Directors	July 30, 2005	HK$1.02	2,500,000	–	–	–	2,500,000	–	(500,000)	2,000,000
Employees	July 30, 2005	HK$1.02	3,240,000	–	(40,000)	(340,000)	2,860,000	–	(100,000)	2,760,000
Employees	December 16, 2006	HK$2.05	1,100,000	–	–	–	1,100,000	–	–	1,100,000
Employees	December 27, 2007	HK$1.76	–	3,050,000	–	–	3,050,000	–	–	3,050,000
Employees	April 1, 2009	HK$1.114	–	–	–	–	–	3,050,000	–	3,050,000
Total			6,840,000	3,050,000	(40,000)	(340,000)	9,510,000	3,050,000	(600,000)	11,960,000
Exercisable at the end of the year			–				2,680,000			5,310,000
Weighted average exercise price			1.19	1.76	1.02	1.02	1.02	1.11	1.02	1.35

In respect of the share options exercised in 2008, the weighted average share price at the dates of exercise was HK$1.71.

Notes:

1. The closing prices of the Company's shares immediately before July 30, 2005, December 16, 2006, December 27, 2007 and April 1, 2009, the dates the options were granted, were HK$1.02, HK$2.05, HK$1.76 and HK$1.10, respectively.

2. The share options are vested in stages as follows:

On or after the second anniversary of the date of grant	50%
On or after the third anniversary of the date of grant	remaining 50%

Options granted on July 30, 2005, December 16, 2006, December 27, 2007 and April 1, 2009 are exercisable until July 31, 2015, December 15, 2016, December 26, 2017 and March 31, 2019, respectively.

The estimated fair values of the options granted during the year are approximately HK$1,309,000 (2008: HK$2,734,000).

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair value of the options granted during the year ended June 30, 2009 was calculated using the Trinomial pricing model. The inputs into the model were as follows:

	2009
Share price	**HK$1.07**
Exercise price	**HK$1.114**
Expected volatility	**43.2%**
Suboptimal exercise factor	**1.686**
Risk-free rate	**1.918%**
Expected dividend yield	**0.561%**

The fair value of the options granted during the year ended June 30, 2008 was calculated using the binominal pricing model. The inputs into the model were as follows:

	2008
Share price	HK$1.72
Exercise price	HK$1.76
Expected volatility	49.86%
Suboptimal exercise factor	2.2
Risk-free rate	3.469%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price since the shares are listed on the Stock Exchange in 2005.

The suboptimal exercise factor used was to account for early exercise behaviour of the share options granted by the Company.

The Group recognised total expense of approximately HK$1,649,000 for the year ended June 30, 2009 (2008: HK$1,144,000) in relation to share options granted by the Company.

37. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution paid and payable in the future years.

37. RETIREMENT BENEFIT PLANS *(Continued)*

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions paid and payable to the funds by the Group at rates specified in the rules of the scheme.

The employees employed by the operations in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the required contributions under the schemes.

In addition, certain subsidiaries of the Company in foreign countries are required to contribute amounts based on employees' salaries to the retirement benefit scheme as stipulated by relevant local authorities. The employees are entitled to the Company's contributions subject to the regulations of the relevant local authorities.

38. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**10,180**	14,650
Post-employment benefits	**55**	56
Share-based payments	**5**	100
	10,240	14,806

In the opinion of the directors, the remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

39. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to secure banking facilities granted to the Group:

		2009	2008
		HK$'000	HK$'000
(a)	bank deposits	**1,275**	9,716
(b)	buildings with a carrying value	**2,062**	9,143
(c)	prepaid lease payments	**7,837**	13,179
(d)	investment properties	**31,083**	30,341
(e)	Bills receivables	**770**	10,601

40. BALANCE SHEET OF THE COMPANY

	NOTE	2009 HK$'000	2008 HK$'000
Total assets		**482,429**	488,166
Total liabilities		**(1,060)**	(916)
Net assets		**481,369**	487,250
Capital and reserves			
Share capital		**55,672**	55,672
Reserves	(a)	**425,697**	431,578
Equity attributable to equity holders of the Company		**481,369**	487,250

Note:

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
At July 1, 2007	28,328	181,788	822	79,900	78,815	369,653
Placing of new shares	64,800	–	–	–	–	64,800
Transaction costs attributable to placing of new shares	(58)	–	–	–	–	(58)
Exercise of share options	41	–	(4)	–	–	37
Recognition of equity-settled share-based payments	–	–	1,144	–	–	1,144
Loss for the year	–	–	–	–	(3,998)	(3,998)
At June 30, 2008	93,111	181,788	1,962	79,900	74,817	431,578
Dividends recognised as distribution	–	–	–	–	(3,340)	(3,340)
Recognition of equity-settled share-based payments	–	–	1,649	–	–	1,649
Loss for the year	–	–	–	–	(4,190)	(4,190)
At June 30, 2009	**93,111**	**181,788**	**3,611**	**79,900**	**67,287**	**425,697**

The contributed surplus represents the difference between the consolidated shareholders' fund of Top Peaker Group Limited ("Top Peaker") and the nominal value of the Company's shares issued to acquire Top Peaker at the time of a group reorganisation in prior years.

The special reserve represents the surplus arising pursuant to the capitalisation of advances from shareholders as part of the group reorganisation.

41. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at June 30, 2009 and 2008 are as follows:

Name of company	Country/ place of incorporation/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2009		2008		
				Directly	Indirectly	Directly	Indirectly	
Top Peaker	British Virgin Islands ("BVI")/ Hong Kong	Ordinary	US$10,000	100%	–	100%	–	Investment holding
Sandmartin (Zhong Shan) Electronic Co., Ltd. (note) 中山聖馬丁電子元件有限公司	PRC	Registered capital	US$19,500,000	–	100%	–	100%	Manufacture of electronic goods
SMT Hong Kong Limited	Hong Kong	Ordinary	HK$2	–	100%	–	100%	Trading of electronic goods
SMT Electronic Technology Limited	Cayman Islands/ Taiwan	Ordinary	US$1	–	100%	–	100%	Trading of electronic goods
SMT (Macao Commercial Offshore) Limited	Macau	Quota capital	MOP100,000	–	100%	–	100%	Trading of electronic goods
TRT Business Network Solutions, Inc.	United States of America	Ordinary	US$100,000	–	100%	–	100%	Trading of electronic goods
Weblink Technology Limited	BVI/Hong Kong	Ordinary	US$100	–	51%	–	51%	Investment holding
FLT Hong Kong Technology Limited	BVI/Hong Kong	Ordinary	US$450,000	–	51%	–	51%	Trading of optical fibre products
Fiberlink Technology Limited (note) 珠海保稅區隆宇光電科技有限公司	PRC	Registered capital	US$1,500,000	–	51%	–	51%	Manufacture of optical fibre products
BCN Distribuciones, S.A.	Spain	Ordinary	EUR412,102	–	100%	–	100%	Research and development and trading of electronic goods
Intelligent Digital Services GmbH	Germany	Ordinary	EUR31,250	–	100%	–	100%	Design and manufacture of electronic goods

Note: These companies are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at any time of the year or at June 30, 2009.

Financial Summary

	Year ended June 30,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,308,122	1,090,342	1,315,998	1,725,083	**1,377,179**
Profit (loss) before taxation	105,552	34,721	(6,844)	50,260	**31,798**
Income tax expense	(5,787)	(1,202)	(8,251)	(7,818)	**(1,148)**
Profit (loss) for the year	99,765	33,519	(15,095)	42,442	**30,650**
Attributable to:					
Equity holders of the Company	99,765	33,378	(14,039)	42,300	**32,191**
Minority interests	–	141	(1,056)	142	**(1,541)**
	99,765	33,519	(15,095)	42,442	**30,650**

	At June 30,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	865,320	984,271	1,162,594	1,100,095	**928,317**
Total liabilities	(461,990)	(556,188)	(737,653)	(541,290)	**(353,926)**
	403,330	428,083	424,941	558,805	**574,391**
Equity attributable to equity holders of the Company	403,330	414,835	412,902	547,048	**564,166**
Minority interests	–	13,248	12,039	11,757	**10,225**
	403,330	428,083	424,941	558,805	**574,391**

Note: The Company was incorporated in Bermuda on January 27, 2004 and became the holding company of the Group with effect from March 17, 2005 as a result of the group reorganisation. The results of the Group for the year ended June 30, 2005 have been prepared on a combined basis as if the current group structure had been in existence throughout that year and have been extracted from the Company's prospectus dated April 28, 2005.