



Interim Report
2008/09



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

(Incorporated in Bermuda with limited liability)

Stock code: 00482



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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

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

HEAD OFFICE AND 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

Mr. Yip Ho Chi, *FCPA, 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)

PRINCIPAL BANKERS

Bank SinoPac
Standard Chartered Bank (Hong Kong)
Limited
Industrial and Commercial Bank of
China (Asia) Limited
Chinatrust Commercial Bank, 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

Hong Kong 00482

Management Discussion and Analysis

Business Review

The Group recorded revenue of HK\$766.2 million for the six months ended December 31, 2008 (the “Period”), representing a decrease of 18.4% as compared to the corresponding period last year (7.1.2007 to 12.31.2007: HK\$938.4 million). Gross profit margin of the Group for the Period also decreased to 16.8% (7.1.2007 to 12.31.2007: 18.8%). The Group’s profit for the Period attributable to equity holders amounted to HK\$10.0 million (7.1.2007 to 12.31.2007: HK\$30.4 million). Basic and diluted earnings per share for the Period were HK1.8 cents (7.1.2007 to 12.31.2007: HK5.7 cents).

During the global recession, there is a significant decline in the economic activity spread across different countries and the market becomes difficult to predict. Our performance is largely relied on the performance of our customers and demand for higher priced electronic products will undoubtedly be tamped down by cautious consumers.

However, in the industry of the media entertainment platform related products, there are still two basic places growth can come from: territories with low penetration rate of digitalization or new services/devices that resonate with consumers. Because of the market diversification approach, our sales to Europe, North America and Middle East have consistently sustained the major part of the Group’s revenue even during this tough period. Besides the developed markets, we have kept exploring the new opportunities from the emerging markets, like South America. A key element of our strategy is to gain competitive advantages by leveraging the technology and scale of our Europe business. Supported by our vertically integrated manufacturing plants in China, we are confident that we are investing in the right products and technologies to meet the demands of our growing customer base. The media operator market is still the area of opportunity we will continue to strive for success. As an original design manufacturer (or ODM), we aim at introducing advanced products and services ahead of our competitors and at a competitive cost.

Management Discussion and Analysis

In March 2009, the Group's subsidiary Sandmartin (Zhong Shan) Electronic Co., Ltd. has successfully renewed its recognition as a High- and New-Technology Enterprise in China, which has been acknowledged since 2005. In addition to the tax incentives, such accreditation also signifies our efforts in research and development for past years.

Prospects

In the electronics industry, the media entertainment platform related product market has been one of the fastest growing market segments over the past decade. Demand is driven by increasing competition between service providers, new entrants, new content delivery systems in addition to analogue switch-off in many markets. The competitive environment is generating market excitement that is stimulating consumer demand and further market expansion. Although under the current economic environment, slow and steady development may be the best that can be realized, the abovementioned fundamental trends are expected to continue and lay the groundwork for incremental, rather than short term, growth.

Segmental information

The revenue attributable to the core business, sales of media entertainment platform related products, amounted to HK\$503.7 million (7.1.2007 to 12.31.2007: HK\$641.4 million), or 65.7% of the Group's revenue. The decrease of 21.5% in this segment was mainly attributable to both the decrease in the average selling prices and profit margin. Under the poor economy, we use aggressive pricing strategy to maintain the market share and the steady production schedule.

As for the non-core segment, sales from other multimedia products maintained at HK\$262.6 million for the Period (7.1.2007 to 12.31.2007: HK\$297.0 million), representing 34.3% of the Group's revenue. Many major customers in this segment have very good and lengthy relationship with us.

Management Discussion and Analysis

Liquidity and financial resources

During the Period, net cash generated from the Group's operating activities amounted to HK\$41.7 million (7.1.2007 to 12.31.2007: HK\$60.4 million). Net cash used in investing activities amounted to HK\$3.6 million (7.1.2007 to 12.31.2007: HK\$6.8 million). Net cash used in financing activities amounted to HK\$67.0 million (7.1.2007 to 12.31.2007: generated HK\$70.5 million), mainly for the repayment of bank borrowings.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.6 at December 31, 2008 and 1.4 at June 30, 2008. For the Period, the annualised trade receivable turnover period, inventory turnover period, and trade payable turnover period were 49 days, 78 days, and 72 days respectively (For the year ended June 30, 2008: 41 days, 85 days, and 72 days respectively).

At December 31, 2008, the Group has the ability to borrow up to approximately HK\$301.5 million under its existing credit facilities. The Group was in a net cash position, total bank and cash exceeded total borrowings at December 31, 2008. The gearing ratio, expressed as a percentage of interest bearing borrowings of HK\$138.5 million over total assets of HK\$1,006.1 million, was 13.8% (6.30.2008: 19.7%).

At December 31, 2008, capital expenditure of approximately HK\$667,000 (6.30.2008: HK\$2.5 million) has been contracted but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment.

Charges on assets

As at December 31, 2008, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK\$9.8 million, (ii) buildings with a carrying value of HK\$39 million, and (iii) prepaid lease payments of HK\$20 million.

Contingent liabilities

The Group did not have any significant contingent liabilities at December 31, 2008.

Management Discussion and Analysis

EMPLOYEES

At December 31, 2008, the Group employed a total of 3,836 (6.30.2008: 3,909) full-time employees. Employees are remunerated accordingly to their performance and responsibilities. Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK0.6 cents per share (7.1.2007 to 6.30.2008: nil) for the year ending June 30, 2009, amounting to a total of about HK\$3.3 million.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members ("ROM") will be closed from Wednesday, April 1, 2009 to Friday, April 3, 2009, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, March 31, 2009. Dividend warrants will be despatched on or about Thursday, April 9, 2009 to the shareholders whose names are on the Company's ROM on April 3, 2009.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares of the Company during the Period.

CORPORATE GOVERNANCE

The Company has complied with all the provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Main Board 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 throughout the Period.

Management Discussion and Analysis

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by Directors. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the Period.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at December 31, 2008, 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, 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 in 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	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Hung Tsung Chin	Corporate	147,523,125 (Note 1)	26.50%
Ms. Chen Mei Huei	Corporate	147,523,125 (Note 1)	26.50%
Mr. Wang Yao Chu	Corporate	111,150,000 (Note 2)	19.97%
Mr. Liao Wen I	Corporate	75,489,375 (Note 3)	13.56%

Management Discussion and Analysis

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

Details of the Company's share option scheme are set out in the published annual report of the Company for the year ended June 30, 2008.

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

			Number of share options			
Type of grantee	Date of grant (Note 2)	Exercise price (Note 1)	Outstanding at July 1, 2008	Granted during the period	Forfeited during the period	Outstanding at December 31, 2008
Directors						
Mr. Hung Tsung Chin	July 30, 2005	HK\$1.02	500,000	–	–	500,000
Ms. Chen Mei Huei	July 30, 2005	HK\$1.02	500,000	–	–	500,000
Mr. Wang Yao Chu	July 30, 2005	HK\$1.02	500,000	–	–	500,000
Mr. Liao Wen I	July 30, 2005	HK\$1.02	500,000	–	–	500,000
Mr. Yip Ho Chi	July 30, 2005	HK\$1.02	500,000	–	–	500,000
			2,500,000	–	–	2,500,000
Employees	July 30, 2005	HK\$1.02	2,860,000	–	–	2,860,000
	December 16, 2006	HK\$2.05	1,100,000	–	–	1,100,000
	December 27, 2007	HK\$1.76	3,050,000	–	–	3,050,000
Total			9,510,000	–	–	9,510,000

Management Discussion and Analysis

Notes:

1. The closing price of the Company's shares immediately before July 30, 2005, December 16, 2006 and December 27, 2007, the dates of grant of the options, were HK\$1.02, HK\$2.05 and HK\$1.76, 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 are exercisable until July 31, 2015, options granted on December 16, 2006 are exercisable until December 15, 2016 and options granted on December 27, 2007 are exercisable until December 26, 2017.

Save as disclosed above, as at December 31, 2008, 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

As at December 31, 2008, the interests of the 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:

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

Management Discussion and Analysis

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.

Save as disclosed above, so far as is known to the directors, as at December 31, 2008, there was no person (other than a director or chief executive of the Company) who had an interest 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.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended December 31, 2008, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

By Order of the Board

Sandmartin International Holdings Limited

Hung Tsung Chin

Chairman

Hong Kong, March 16, 2009

Report on Review of Interim Financial Information



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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 BOARD OF DIRECTORS OF SANDMARTIN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 32, which comprises the condensed consolidated balance sheet of Sandmartin International Holdings Limited as of December 31, 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Interim Financial Information

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, March 16, 2009

Condensed Consolidated Income Statement

For the six months ended December 31, 2008

		Six months ended December 31,	
	NOTES	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue	3	766,211	938,422
Cost of sales		(637,488)	(762,308)
Gross profit		128,723	176,114
Other income		13,604	12,644
Distribution and selling costs		(31,142)	(32,000)
Administrative expenses		(71,517)	(69,740)
Impairment loss on trade receivables	10	(29)	(31,673)
Research and development costs		(19,379)	(13,868)
Finance costs		(7,079)	(10,469)
Profit before tax	4	13,181	31,008
Income tax expense	5	(3,885)	(232)
Profit for the period		9,296	30,776
Attributable to:			
Equity holders of the Company		10,043	30,432
Minority interests		(747)	344
		9,296	30,776
Earnings per share	8		
Basic (HK cents)		1.8	5.7
Diluted (HK cents)		1.8	5.7

Condensed Consolidated Balance Sheet

At December 31, 2008

	NOTES	December 31, 2008 HK\$'000 (unaudited)	June 30, 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	187,785	203,539
Prepaid lease payments		23,189	23,468
Investment properties	9	30,341	30,341
Deposit paid for acquisition of property, plant and equipment		–	661
Goodwill	9	84,700	90,725
Intangible assets		9,071	10,333
Available-for-sale investments		–	15
Deferred tax assets		4,840	4,241
		339,926	363,323
Current assets			
Inventories		273,630	322,772
Trade and other receivables	10	238,640	231,212
Prepaid lease payments		544	544
Derivative financial instruments		3,823	2,198
Pledged bank deposits		9,810	9,716
Bank balances and cash		139,701	170,330
		666,148	736,772
Current liabilities			
Trade and other payables	11	290,942	305,170
Tax liabilities		12,470	10,655
Derivative financial instruments		2,539	3,307
Bank and other borrowings			
– due within one year	12	115,800	188,946
Obligations under finance leases			
– due within one year		90	166
		421,841	508,244
Net current assets		244,307	228,528
		584,233	591,851

Condensed Consolidated Balance Sheet

At December 31, 2008

	NOTES	December 31, 2008 HK\$'000 (unaudited)	June 30, 2008 HK\$'000 (audited)
Capital and reserves			
Share capital	13	55,672	55,672
Reserves		488,873	491,376
Equity attributable to equity holders of the Company		544,545	547,048
Minority interests		11,010	11,757
Total equity		555,555	558,805
Non-current liabilities			
Bank and other borrowings			
– due after one year	12	22,628	28,121
Deferred tax liabilities		6,050	4,916
Obligations under finance leases			
– due after one year		–	9
		28,678	33,046
		584,233	591,851

Condensed Consolidated Statement of Changes in Equity

For the six months ended December 31, 2008

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Statutory reserve HK\$'000	Special reserve HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At July 1, 2007 (audited)	50,868	28,328	822	12,905	79,878	29	18,360	221,712	412,902	12,039	424,941
Exchange differences arising on translation to presentation currency	-	-	-	-	-	-	13,590	-	13,590	(154)	13,436
Loss on fair value changes of available-for-sale investments	-	-	-	-	-	(29)	-	-	(29)	-	(29)
Net (expense) income recognised directly in equity	-	-	-	-	-	(29)	13,590	-	13,561	(154)	13,407
Profit for the period	-	-	-	-	-	-	-	30,432	30,432	344	30,776
Total recognised (expense) income for the period	-	-	-	-	-	(29)	13,590	30,432	43,993	190	44,183
Issue of shares	4,800	64,800	-	-	-	-	-	-	69,600	-	69,600
Transaction costs attributable to issue of shares	-	(38)	-	-	-	-	-	-	(38)	-	(38)
Recognition of equity-settled share-based payments	-	-	316	-	-	-	-	-	316	-	316
At December 31, 2007 (unaudited)	55,668	93,090	1,138	12,905	79,878	-	31,950	252,144	526,773	12,229	539,002
At July 1, 2008 (audited)	55,672	93,111	1,962	15,807	79,878	-	39,508	261,110	547,048	11,757	558,805
Exchange differences arising on translation to presentation currency	-	-	-	-	-	-	(13,354)	-	(13,354)	-	(13,354)
Net expense recognised directly in equity	-	-	-	-	-	-	(13,354)	-	(13,354)	-	(13,354)
Profit (loss) for the period	-	-	-	-	-	-	-	10,043	10,043	(747)	9,296
Total recognised (expense) income for the period	-	-	-	-	-	-	(13,354)	10,043	(3,311)	(747)	(4,058)
Recognition of equity-settled share-based payments	-	-	808	-	-	-	-	-	808	-	808
At December 31, 2008 (unaudited)	55,672	93,111	2,770	15,807	79,878	-	26,154	271,153	544,545	11,010	555,555

Condensed Consolidated Cash Flow Statement

For the six months ended December 31, 2008

	Six months ended December 31,	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash from operating activities	41,699	60,352
Net cash used in investing activities:		
Additions to property, plant and equipment	(5,815)	(9,008)
Increase in pledged bank deposits	94	110
Other investing cash flows	2,168	2,059
	(3,553)	(6,839)
Net cash (used in) from financing activities:		
New bank and other borrowings raised	148,455	360,361
Proceeds from issue of shares	—	69,600
Repayment of bank borrowings	(212,951)	(358,829)
Other financing cash flows	(2,459)	(635)
	(66,955)	70,497
Net (decrease) increase in cash and cash equivalents	(28,809)	124,010
Cash and cash equivalents at beginning of the period	170,330	114,111
Effect of foreign exchange rate changes	(1,820)	4,768
Cash and cash equivalents at end of the period, represented by bank balances and cash	139,701	242,889

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2008.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretations issued by the HKICPA which are effective for the Group's financial year beginning on July 1, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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 above amendments and interpretations had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

2. PRINCIPAL ACCOUNTING POLICIES *(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
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁵

¹ Effective for annual periods beginning on or after January 1, 2009 except for 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

³ Effective for annual periods beginning on or after July 1, 2009

⁴ Effective for annual periods beginning on or after October 1, 2008

⁵ Effective for transfers on or after July 1, 2009

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

3. 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.

Six months ended December 31, 2008

	Media entertainment platform related products HK\$'000	Other multimedia products HK\$'000	Total HK\$'000
REVENUE			
External sales	503,661	262,550	766,211
RESULTS			
Segment results	53,894	40,615	94,509
Unallocated other income			13,592
Unallocated corporate expenses			(87,841)
Finance costs			(7,079)
Profit before tax			13,181
Income tax expense			(3,885)
Profit for the period			9,296

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

3. SEGMENT INFORMATION (Continued)

Six months ended December 31, 2007

	Media entertainment platform related products HK\$'000	Other multimedia products HK\$'000	Total HK\$'000
REVENUE			
External sales	641,437	296,985	938,422
RESULTS			
Segment results	62,979	49,461	112,440
Unallocated other income			12,644
Unallocated corporate expenses			(83,607)
Finance costs			(10,469)
Profit before tax			31,008
Income tax expense			(232)
Profit for the period			30,776

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

4. PROFIT BEFORE TAX

	Six months ended December 31,	
	2008	2007
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	794	964
Release of prepaid lease payments	279	256
Depreciation of property, plant and equipment	15,576	17,882
Fair value change of derivative financial instruments (note)	–	1,600
Impairment loss on goodwill (included in administrative expenses)	3,055	–
and after crediting:		
Bank interest income	700	1,379
Fair value change of derivative financial instruments (note)	2,393	–

Note: The amount represents fair value change for foreign currency exchange contracts, certain of which were outstanding at the balance sheet date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

5. INCOME TAX EXPENSE

	Six months ended December 31,	
	2008 HK\$'000	2007 HK\$'000
The tax charge comprises:		
Current tax		
PRC Enterprise Income Tax	4,211	3,024
Other jurisdictions	–	3,030
Over-provision in prior years	(502)	–
PRC Enterprise Income Tax refunded in respect of reinvestment of dividend declared	–	(6,402)
Deferred tax (credit) charge	(1,088)	580
Provision for PRC dividend withholding tax	1,264	–
	3,885	232

No tax is payable on the profit for both periods arising in Hong Kong since the assessable profit of the subsidiary operating in Hong Kong was wholly absorbed by tax losses brought forward.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

5. INCOME TAX EXPENSE *(Continued)*

On March 16, 2007, the People's Republic of China (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. For companies that were qualified under old law or 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%.

A subsidiary, 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 oriented enterprise and continued to enjoy the reduced tax rate of 12% in 2007. The tax rate has changed to 25% starting from January 1, 2008.

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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

The directors have determined that an interim dividend of HK0.6 cents per share (2007: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on Friday, April 3, 2009.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

7. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

7. 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 period:

Type of grantee	Date of grant (note 2)	Exercise price (note 1)	Number of share options			Outstanding at December 31, 2008
			Outstanding at July 1, 2008	Granted during the period	Forfeited during the period	
Directors	July 30, 2005	HK\$1.02	2,500,000	–	–	2,500,000
Employees	July 30, 2005	HK\$1.02	2,860,000	–	–	2,860,000
Employees	December 16, 2006	HK\$2.05	1,100,000	–	–	1,100,000
Employees	December 27, 2007	HK\$1.76	3,050,000	–	–	3,050,000
Total			9,510,000	–	–	9,510,000

Notes:

- The closing prices of the Company's shares immediately before July 30, 2005, December 16, 2006 and December 27, 2007, the dates of grant of the options, were HK\$1.02, HK\$2.05 and HK\$1.76, respectively.
- 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 13, 2015, options granted on December 16, 2006 are exercisable until December 15, 2016 and options granted on December 27, 2007 are exercisable until December 26, 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

8. 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:

	Six months ended December 31,	
	2008 HK\$'000	2007 HK\$'000
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to equity holders of the Company	10,043	30,432
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	556,722,000	536,073,304
Effect of dilutive potential ordinary shares in respect of share options	1,146,943	2,315,274
Weighted average number of ordinary shares for the purposes of diluted earnings per share	557,868,943	538,388,578

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND GOODWILL

The directors are of the opinion that the carrying value of the Group's investment properties as at December 31, 2008 was not materially different from the fair value of the investment properties as at June 30, 2008. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group spent approximately HK\$5,815,000 (7.1.2007 to 12.31.2007: HK\$9,008,000) on additions of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying amount of HK\$2,402,000 (7.1.2007 to 12.31.2007: HK\$315,000) resulting in a gain of HK\$12,000 (7.1.2007 to 12.31.2007: loss of HK\$197,000).

An impairment loss on goodwill of HK\$3,055,000 was recognised during the period, as the recoverable amount is lower than the carrying value of the goodwill.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

10. TRADE AND OTHER RECEIVABLES

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 date:

	December 31, 2008 HK\$'000	June 30, 2008 HK\$'000
0 – 30 days	116,785	109,265
31 – 60 days	47,749	42,828
61 – 90 days	30,864	23,763
91 – 180 days	12,097	13,709
More than 180 days	–	2,914
	207,495	192,479
Other receivables	31,145	38,733
	238,640	231,212

During the period, the directors reviewed the carrying amounts of certain long outstanding trade receivables and identified an impairment loss of HK\$29,000 (7.1.2007 to 12.31.2007: HK\$31,673,000, which were long outstanding over 1 year and legal actions have been taken) which has been recognised in the income statement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

11. TRADE AND OTHER PAYABLES

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

	December 31, 2008 HK\$'000	June 30, 2008 HK\$'000
0 – 30 days	108,198	154,441
31 – 60 days	76,391	67,918
61 – 90 days	42,193	37,605
91 – 180 days	21,153	11,675
181 – 365 days	2,005	1,693
	249,940	273,332
Other payables	41,002	31,838
	290,942	305,170

12. BANK AND OTHER BORROWINGS

During the current period, the Group raised and repaid bank loans in the amount of approximately HK\$148,455,000 and approximately HK\$212,951,000, respectively. The bank loans bear interest at prevailing market rate.

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each Issued and fully paid		
At July 1, 2007	508,682,000	50,868
Issue of new shares	48,000,000	4,800
At December 31, 2007	556,682,000	55,668
Exercise of share options	40,000	4
At June 30, 2008 and December 31, 2008	556,722,000	55,672

Notes to the Condensed Consolidated Financial Statements

For the six months ended December 31, 2008

14. CAPITAL COMMITMENTS

	December 31, 2008 HK\$'000	June 30, 2008 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	667	2,518

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended December 31, 2008 HK\$'000	2007 HK\$'000
Short-term employee benefits	7,063	6,015
Post-employment benefits	28	28
Share-based payments	50	50
	7,141	6,093

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.