

INTERIM  
REPORT  
2009/10



**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

#### Independent non-executive directors

Mr. Hsu Chun Yi  
Mr. Tsan Wen Nan  
Mr. Lee Chien Kuo

### 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

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

### 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 Taiwan*

Grand Cathay Securities Corporation  
5F., No. 2, Section 1,  
Chongqing South Road,  
Zhongzheng District,  
Taipei City 100, Taiwan (R.O.C.)

#### *In Bermuda*

The Bank of Bermuda Limited  
Bank of Bermuda Building  
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### WEBSITE

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### STOCK CODE

Hong Kong 00482  
Taiwan 910482

# Management Discussion and Analysis

## BUSINESS REVIEW

In 2009, the global economy was still suffering from economic downturn due to the financial crisis, sales revenue of the Group for the six months ended December 31, 2009 (the "Period") was HK\$715.5 million, decreased by 6.6% when compared with the same period last year (7.1.2008 to 12.31.2008: HK\$766.2 million). However, sales revenue of our core business, media entertainment platform relevant products, during the Period was HK\$514.1 million, increased by 2.1% when compared with the same period last year (7.1.2008 to 31.12.2008: HK\$503.7 million). Apart from that, gross profit of the Group during the Period was HK\$157.0 million, increased by 22.0% when compared with the same period last year (7.1.2008 to 12.31.2008: HK\$128.7 million). At the same time, gross margin during the Period increased to 21.9% (7.1.2008 to 12.31.2008: 16.8%). Profit attributable to owners of the Company during the Period was HK\$41.5 million (7.1.2008 to 12.31.2008: HK\$10.0 million). During the Period, basic and diluted earnings per share was HK7.3 cents (7.1.2008 to 12.31.2008: HK1.8 cents).

Looking back for the six months ended December 31, 2009, under the adverse global economic environment, the Group encountered both competition and challenges from its relevant industries globally. Not only was the Group not being affected, however, we were able to grasp the global momentum and opportunities and diverted into new business arena successfully, expanded the Group's global business presence and established our long-term and reliable strategic partnership. The main reasons for the Group's success to achieve such remarkable achievements are as follows:

### 1. Stable and diversified product supply chain:

The Group provides comprehensive product chain and relevant services to our customers. We provide different types of media entertainment platform relevant products with comprehensive specifications, ranges from low price basic types to high-end luxury ones. We also provide customized services to meet any requirements of our customers. Apart from the media entertainment platform relevant products, the Group also provides different products required by digital television, such as LNB, Power Amplifiers, POTS Splitter, Distributors, Demodulator, Cable TV Subscriber Box and a full series of cables and connectors. With our all-round and comprehensive products and services, complimented with our stringent quality testing and inspection, the reputation and creditability of the Group have completely earned the trust of our customers and established a positive corporate image in our expansion into potential markets.

## **Management Discussion and Analysis**

### **2. Trend of global digitalization:**

With limited spectrum sources and increasing demand for higher video quality, digitalization of television system has become an irreversible trend. Although the retreating schedule of analog channels for every country is different, however, it is clear to state that analog television will become a name in world history by not later than 2015. With the issuance of digital channel licences in different countries, all the governments are striving to promote and subsidize digital broadcasting system. Also, to ensure in maintaining existing markets and customers, operators have no choice but to implement digitalized system upgrade. Therefore, as the Group can provide comprehensive product support and customer services and is able to replace in full the digital television receptor of digital broadcasting system and ancillaries, with the continuous increase in global demand and sales of digital television receptors at a rate of 5% to 10% per annum, the operating policies of the Group is fully in line with global trend and market demand.

### **3. Research and development and technology integration:**

Our professional research and development team is equipped with high capability in hardware integration and software development. Hardware products include integrated master chip, circuit design and testing, new module development and switching power supply design, etc. Software products include control and design of low-mode BIOS, firmware module development, middleware design, etc. Our outstanding hardware and software design teams provide tremendous flexibility for our customers, able to satisfy their needs, and keep on upgrading the functions of new products. For existing products, our aims are to reduce costs and shorten production time. For example, development of new integrated circuit board, reduction in size of circuit board and number of laminas could reduce power dissipation and lower the cost of circuit board. We even try to utilize the laminas of circuit board to achieve ensuring data transmission reliability.

## Management Discussion and Analysis

### 4. Ensure customer profitability:

For digital television system operators, apart from advertising revenues, they must also ensure that there is no illegal reception by subscribers. In order to ensure customer profitability, the Group has provided comprehensive services for the integration of locking system. We have already obtained user licences and certificates from overseas renowned locking systems and in terms of copyright protection, the level of security provided by the Group are well recognized by international organizations. Many of our locking systems are applicable to use in different countries under different broadcasting system standards. We also provide various de-encryption designs and services, allowing operators to provide more quality encrypted programs to their legally authorized subscribers, giving a win-win situation in all aspects.

### 5. PRODUCTION LINE AUTOMATION:

Given the nationwide labour shortage in China since the fourth quarter of 2009, however, the Group was not affected in any aspect. Over the years, the Group strives to improve its production lines endlessly and adopts a production automation approach for its production lines. This has reduced our demand for labour and lowered our production costs significantly. Without expansion of factory scale, we will keep on improving our production capacity and efficiency and reduce pitfalls due to reliance on labour production; and hence, we have further achieved our goals of “optimizing production scale, improving the Group’s operating income”. Furthermore, the Group has begun to sub-contract the spare parts production (the labour intensive and low efficiency basic workshop segment) and formulated an organization plan relating to Chinese OEM and overseas CKD production.

## Management Discussion and Analysis

### 6. SYSTEM INTEGRATION TEAM:

Our outstanding system integration team is led by our Senior Product Manager from Germany who is well conversant to the different digital broadcasting systems standards around the world. With this, we are able to customize total digital operation solutions to fulfill different operating needs of our customers; which ranges from program signal origin, passing through the front-end receiving transmission system at different sectors, to reaching our end-users; and fulfills customer needs completely. The above includes the most advanced Terrestrial Digital Broadcasting Television System II or the Simultaneous Encryption of Front-end Scrambling System, No-module Scrambling System and even the different added-value services like the Push Video-On-Demand System and Pay-Per-Time Receiving System.

In view of the above, the Group's excellent results during the Period were not by chance. Our totally-equipped team is always ready to face different kinds of competition and challenges.

### PROSPECTS

Television has all along been an important home media entertaining centre. With television digitalization, it will no longer be just an entertaining arena in your living room. We have discovered that during the process of promoting digital television by different countries around the world, only the improvement in audio-visual quality will not be sufficient to pursue the high-degree of popularization of digital television. Hence, how to provide services through digital television to meet consumer needs becomes the most critical successful key of promoting digital television system in 2010. By building from our digital television added-value services, the Group will also endeavour itself in the application of two-way interactive and multi-media network communications. For example, functions like channel selection and address set up, encryption and de-encryption, information safety and retrieval and storing conditions of restricting information extraction will be developed, preparing for the platforms of home purchase, on-line games or internet banking. We also provide functions like home security and control, on-line and off-line information transmission and sharing, VOD/KOD/MOD/PPV interactive audio-video services, multi-media television communications. In future, functions like sound communication equipment and home-use portals can also be integrated to achieve providing services for home network platform.

## Management Discussion and Analysis

Apart from providing the two-way dialogue service predominant and completed by users, they can also select and broadcast any program in the Video Server anytime through this two-way network system, and will not be restricted by program broadcasting schedule.

After television digitalization, the number of channels has increased significantly, together with various service contents with different functions, they make interactive digital program guide an essential tool in interactive television. The design of future interactive digital program guide will incorporate more advertising and promotion related applications, and will absolutely become the “battlefield” for the advertisers. In 2009, the Group successfully launched its digital television receptors, with integrated IP function, and had captured tremendous market share in Europe and South America. Besides actively develop the African and Asian markets, we will actively seek commercial co-operation opportunities in China in the future. Currently, the Group is co-operating with a well-known broadcasting system operator in PRC, and plans to establish its presence into the huge PRC market. We will upgrade our technology for not only enhance program broadcasting quality but to provide diversified interactive value added services to end users as well.

Besides, for European and American markets, we also actively develop innovative digital products and integrate into our front end digital broadcasting system, like the popular HD PLUS Satellite Radio in Germany and the almost finalized second generation protection standards on receipt module of general condition of CI PLUS in Europe. We completed the integration and matching of various encryption modules and hardware. With our persistence and professionalism as a system integration expert, we offer total solutions, products support and customer services overwhelming the whole European, American, Asian and African markets and thereafter, launched the self-developed brand of the Group with the aim of establishing a comprehensive global service network. This will enable consumers, operators, other co-operative partners and strategic allies to be benefited from our diversified corporate strategy.



## Management Discussion and Analysis

Since its establishment, the Group has all along been adhering to its four core visions: integrated control in design and manufacture, dedicated in development of digital entertainment platform related products, strive for leading position in Asia Pacific regions and passion from within and selfless offer spirit, and become one of the leading manufacturers of global digital television system integration enterprises. Besides continuing to upkeep our competitiveness and strict self-disciplined, we have also clearly grasped the momentum and trends of global markets. With the support from our strong research and development team and professional system integration team, our priority is to fulfill customers' demand and continue to expand our business presence in every country of the world.

### SEGMENTAL INFORMATION

The revenue attributable to the core business of the Group, sales of media entertainment platform related products, maintained at HK\$514.1 million for the Period (7.1.2008 to 12.31.2008: HK\$503.7 million), or 71.9% of the Group's revenue.

As for the non-core segment, sales from other multimedia products, amounted to HK\$201.4 million (7.1.2008 to 12.31.2008: HK\$262.6 million), representing 28.1% of the Group's revenue. The decrease of 23.3% in this segment was attributable to decreasing average selling prices.

Detailed information of the Group's turnover and profit for the Period by segment is shown in note 3 to the interim financial statement.

# Management Discussion and Analysis

## CAPITAL STRUCTURE

On December 18, 2009, the Company was listed in Taiwan Stock Exchange for the issuance of Taiwan Depositary Receipts (the "TDR"). The ordinary shares of the Company are the underlying securities of the TDR. One ordinary share represents one unit of TDR. A total TDR of 148 million units was issued which included 108 million new shares at an aggregate nominal value of HK\$10.8 million, which was allotted and issued by the Company under the general mandate granted to Directors at the annual general meeting of the Company held on December 3, 2009; and 40 million existing shares to be offered by three shareholders.

The issue structure of 148 million units of TDR comprised (a) an offer of 1,000 units of TDR for subscription by Securities and Futures Investors Protection Center pursuant to the applicable securities laws in Taiwan; (b) an offer of an aggregate of 18,250,000 units of TDR for subscription by the Underwriters; (c) an offer of an aggregate of 12,975,000 units of TDR for application for subscription by the public in Taiwan; and (d) an offer of an aggregate of 116,774,000 units of TDR for subscription by selected institutional and individual investors in Taiwan through book building process.

The offer price of TDR is NT\$8.00 (equivalent to HK\$1.92) per unit, representing a discount of approximately 9.86% to the closing price of HK\$2.13 per share quoted on the Hong Kong Stock Exchange on December 10, 2009, being the day prior to signing of the Underwriting Agreement. In the view of the positive conditions of the stock market, the Directors, including the independent non-executive Directors, consider that the TDR issue represents an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

The net proceeds of TDR issue, after deduction of underwriting fees and expenses, amounted to approximately HK\$203 million, which represents the net price raised per share approximately HK\$1.88 per share. The Company intends to use these proceeds for the research and development of the integrated system, capital expenditure and general working capital.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

During the Period, net cash generated from the Group's operating activities amounted to HK\$51.7 million (7.1.2008 to 12.31.2008: HK\$41.7 million). Net cash used in investing activities amounted to HK\$0.4 million (7.1.2008 to 12.31.2008: HK\$3.6 million). Net cash generated from financing activities amounted to HK\$192.8 million (7.1.2008 to 12.31.2008: used in HK\$67.0 million), mainly come from TDR placement.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 2.4 at December 31, 2009 and 1.8 at June 30, 2009. For the Period, the annualised average trade receivable turnover period, average inventory turnover period, and average trade payable turnover period were 48 days, 74 days, and 68 days respectively (For the year ended June 30, 2009: 47 days, 89 days, and 75 days respectively).

At December 31, 2009, the Group has the ability to borrow up to approximately HK\$280.0 million under its existing credit facilities. The Group was in a net cash position, total bank and cash exceeded total borrowings at December 31, 2009. The gearing ratio, expressed as a percentage of interest bearing borrowings of HK\$101.4 million over total assets of HK\$1,212.5 million, was 8.4% (6.30.2009: 10.9%).

# Management Discussion and Analysis

## CAPITAL COMMITMENT

At December 31, 2009, the Group had no significant capital commitments (6.30.2009: Nil).

## CHARGES ON ASSETS

As at December 31, 2009, the Group's general banking facilities were secured by the following assets of the Group: (i) buildings with a carrying value of HK\$38.2 million, and (ii) prepaid lease payments of HK\$19.3 million.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at December 31, 2009.

## EMPLOYEES

At December 31, 2009, the Group employed a total of 3,310 (6.30.2009: 3,836) 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 HK2.5 cents per share (7.1.2008 to 12.31.2008: HK0.6 cents) for the six months period ended December 31, 2009, amounting to a total of about HK\$16.6 million.

## **Management Discussion and Analysis**

### **CLOSURE OF REGISTER OF MEMBERS**

The Company's Register of Members ("ROM") will be closed from Thursday, April 8, 2010 to Friday, April 9, 2010, 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 Wednesday, April 7, 2010. Dividend warrants will be despatched on or about Friday, April 16, 2010 to the shareholders whose names are on the Company's ROM on April 9, 2010.

### **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 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.

### **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.

## Management Discussion and Analysis

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at December 31, 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, 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	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)	22.19%
Ms. Chen Mei Huei	Interest in controlled corporation	147,523,125 (Note 1)	22.19%
Mr. Wang Yao Chu	Interest in controlled corporation	111,150,000 (Note 2)	16.72%
Mr. Liao Wen I	Interest in controlled corporation	75,489,375 (Note 3)	11.36%

## 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, the 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.

## Management Discussion and Analysis

### (ii) Share options

As at December 31, 2009, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 11,700,000 (6.30.2009: 11,960,000), representing approximately 1.76% of the shares of the Company in issue as at December 31, 2009.

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

Type of grantee	Date of grant (Note)	Closing price per share immediately prior to the grant date	Exercise price	Number of share options				
				Outstanding at July 1, 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at December 31, 2009
Directors								
Mr. Hung Tsung Chin	July 30, 2005	HK\$1.020	HK\$1.020	500,000	–	–	–	500,000
Ms. Chen Mei Huei	July 30, 2005	HK\$1.020	HK\$1.020	500,000	–	–	–	500,000
Mr. Wang Yao Chu	July 30, 2005	HK\$1.020	HK\$1.020	500,000	–	–	–	500,000
Mr. Liao Wen I	July 30, 2005	HK\$1.020	HK\$1.020	500,000	–	–	–	500,000
				2,000,000	–	–	–	2,000,000
Employees	July 30, 2005	HK\$1.020	HK\$1.020	2,760,000	–	(60,000)	(200,000)	2,500,000
	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				11,960,000	–	(60,000)	(200,000)	11,700,000



## Management Discussion and Analysis

Notes:

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 and options granted on April 1, 2009 are exercisable until March 31, 2019.

Save as disclosed above, as at December 31, 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

As at December 31, 2009, 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	22.19% (Note 1)
Success Power Investments Limited	111,150,000	16.72% (Note 2)
Wellever Investments Limited	75,489,375	11.36% (Note 3)

## 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, the 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, 2009, 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, 2009, 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, 2010

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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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 20 to 42, which comprises the condensed consolidated statement of financial position of Sandmartin International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as of December 31, 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 of the Company 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, 2010

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended December 31, 2009*

		Six months ended December 31,	
	NOTES	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue	3	715,469	766,211
Cost of sales		(558,499)	(637,488)
Gross profit		156,970	128,723
Other income		7,334	10,107
Other gains and losses		(2,313)	(6,903)
Distribution and selling costs		(27,575)	(31,142)
Administrative expenses		(64,079)	(61,117)
Impairment loss on trade receivables	10	(1,276)	(29)
Research and development costs		(18,822)	(19,379)
Finance costs		(3,703)	(7,079)
Profit before tax	4	46,536	13,181
Income tax expense	5	(5,165)	(3,885)
Profit for the period		41,371	9,296
Other comprehensive income			
Exchange difference arising from translation of foreign operations		3,346	(13,354)
Total comprehensive income for the period		44,717	(4,058)
Profit attributable to:			
Owners of the Company		41,531	10,043
Minority interests		(160)	(747)
		41,371	9,296

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended December 31, 2009*

		Six months ended December 31,	
	NOTES	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Total comprehensive income			
attributable to:			
Owners of the Company		44,885	(3,311)
Minority interests		(168)	(747)
		44,717	(4,058)
Earnings per share	8		
Basic (HK cents)		7.3	1.8
Diluted (HK cents)		7.3	1.8

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2009

	NOTES	December 31, 2009 HK\$'000 (unaudited)	June 30, 2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	168,384	180,733
Prepaid lease payments		22,654	22,899
Investment properties	9	31,119	31,083
Goodwill	9	82,035	84,681
Intangible assets		4,538	6,234
Deferred tax assets		8,871	8,723
		<b>317,601</b>	334,353
Current assets			
Inventories		225,846	227,496
Trade and other receivables	10	249,572	191,046
Prepaid lease payments		543	543
Derivative financial instruments		476	299
Pledged bank deposits		–	1,275
Bank balances and cash		418,440	173,305
		<b>894,877</b>	593,964
Current liabilities			
Trade and other payables	11	274,538	236,310
Tax liabilities		13,463	9,028
Bank borrowings			
– due within one year	12	82,367	84,955
Obligations under finance leases		–	35
		<b>370,368</b>	330,328
Net current assets		<b>524,509</b>	263,636
		<b>842,110</b>	597,989

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At December 31, 2009*

	NOTES	<b>December 31, 2009 HK\$'000 (unaudited)</b>	June 30, 2009 HK\$'000 (audited)
Capital and reserves			
Share capital	13	<b>66,478</b>	55,672
Reserves		<b>737,842</b>	508,494
Equity attributable to owners of the Company		<b>804,320</b>	564,166
Minority interests		<b>10,057</b>	10,225
Total equity		<b>814,377</b>	574,391
Non-current liabilities			
Bank borrowings			
– due after one year	12	<b>18,989</b>	16,184
Deferred tax liabilities		<b>8,744</b>	7,414
		<b>27,733</b>	23,598
		<b>842,110</b>	597,989



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2009

	Attributable to owners of the Company						Attributable to the owners of the Company		Minority interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Statutory reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	HK\$'000		
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
Profit for the period	-	-	-	-	-	-	10,043	10,043	(747)	9,296
Other comprehensive income for the period	-	-	-	-	-	(13,354)	-	(13,354)	-	(13,354)
Total comprehensive 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
At July 1, 2009 (audited)	55,672	93,111	3,611	19,237	79,878	26,126	286,531	564,166	10,225	574,391
Profit for the period	-	-	-	-	-	-	41,531	41,531	(160)	41,371
Other comprehensive income for the period	-	-	-	-	-	3,354	-	3,354	(8)	3,346
Total comprehensive income for the period	-	-	-	-	-	3,354	41,531	44,885	(168)	44,717
Issue of shares	10,800	196,109	-	-	-	-	-	206,909	-	206,909
Transaction costs attributable to issue of shares	-	(3,720)	-	-	-	-	-	(3,720)	-	(3,720)
Recognition of equity-settled share based payments	-	-	927	-	-	-	-	927	-	927
Exercise of share option	6	61	(6)	-	-	-	-	61	-	61
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	(8,908)	(8,908)	-	(8,908)
At December 31, 2009 (unaudited)	66,478	285,561	4,532	19,237	79,878	29,480	319,154	804,320	10,057	814,377

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended December 31, 2009*

	Six months ended December 31,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Net cash from operating activities	51,657	41,699
Net cash used in investing activities:		
Additions to property, plant and equipment	(1,858)	(5,815)
Decrease in pledged bank deposits	1,275	94
Other investing cash flows	138	2,168
	(445)	(3,553)
Net cash from (used in) financing activities:		
New bank borrowings raised	140,461	148,455
Proceeds from issue of shares	206,909	—
Repayment of bank borrowings	(141,999)	(212,951)
Dividends paid	(8,908)	—
Other financing cash flows	(3,694)	(2,459)
	192,769	(66,955)
Net increase (decrease) in cash and cash equivalents	243,981	(28,809)
Cash and cash equivalents at beginning of the period	173,305	170,330
Effect of foreign exchange rate changes	1,154	(1,820)
Cash and cash equivalents at end of the period, represented by bank balances and cash	418,440	139,701

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

## 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, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on July 1, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1	Puttable Financial Instruments and Obligations
(Amendments)	Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27	Cost of an Investment in a Subsidiary, Jointly
(Amendments)	Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>1</sup>

<sup>1</sup> Amendments that are effective for annual periods, beginning on or after July 1, 2009.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

#### ***New and revised HKFRSs affecting presentation and disclosure only***

##### *HKAS 1 (Revised 2007) Presentation of Financial Statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

##### *HKFRS 8 Operating Segments*

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 3).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### ***New and revised HKFRSs affecting the reported results and/or financial positions***

HKFRS 3 (Revised) affects the Group's accounting for business combination for which the acquisition date is on or after July 1, 2009. HKAS 27 (Revised) affects the accounting treatment for changes in the Group's ownership interest in a subsidiary. These changes have no impact on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been recognised.

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 2009 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>3</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>2</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>5</sup>
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>

<sup>1</sup> Amendments that are effective for annual periods beginning on or after January 1, 2010, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2010

<sup>3</sup> Effective for annual periods beginning on or after February 1, 2010

<sup>4</sup> Effective for annual periods beginning on or after July 1, 2010

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2011

<sup>6</sup> Effective for annual periods beginning on or after January 1, 2013

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group’s leasehold land.

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 consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from January 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group’s executive directors, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, HKAS 14 “Segment Reporting”, required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was organised into two operating division – media entertainment platform related products and other multimedia products. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

### 3. SEGMENT INFORMATION (Continued)

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

#### Six months ended December 31, 2009

	Media entertainment platform related products HK\$'000	Other multimedia products HK\$'000	Total HK\$'000
REVENUE			
External sales	514,113	201,356	715,469
RESULTS			
Segment results	107,205	17,859	125,064
Other income			7,334
Other gains and losses			742
Administratives expenses			(64,079)
Research and development costs			(18,822)
Finance costs			(3,703)
Profit before tax			46,536
Income tax expense			(5,165)
Profit for the period			41,371

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 3. SEGMENT INFORMATION *(Continued)*

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
Other income			10,107
Other gains and losses			(3,860)
Administratives expenses			(61,117)
Research and development costs			(19,379)
Finance costs			(7,079)
Profit before tax			13,181
Income tax expense			(3,885)
Profit for the period			9,296

Segment profit represents the profit earned by each segment without allocation of administrative expenses, research and development costs, other income, other gains and losses (except impairment loss on goodwill), and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 4. PROFIT BEFORE TAX

	Six months ended December 31,	
	2009 HK\$'000	2008 HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	1,684	794
Release of prepaid lease payments	262	279
Depreciation of property, plant and equipment	14,803	15,576
Impairment loss on goodwill (included in other gains and losses)	3,055	3,055
Write down of inventories (included in cost of sales)	8,200	—
and after crediting:		
Bank interest income	318	700
Fair value change of derivative financial instruments (Note)	177	2,393

Note: The amount represents fair value change for foreign currency exchange contracts, certain of which are outstanding at the end of the reporting period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

## 5. INCOME TAX EXPENSE

	Six months ended December 31,	
	2009 HK\$'000	2008 HK\$'000
The tax charge comprises:		
Current tax		
PRC Enterprise Income Tax	2,315	4,211
Other jurisdictions	1,450	–
Under(over)provision in prior years	88	(502)
Deferred tax credit	–	(1,088)
Provision for PRC dividend withholding tax	1,312	1,264
	<b>5,165</b>	<b>3,885</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 5. INCOME TAX EXPENSE *(Continued)*

Pursuant to the relevant laws and regulations in The People's Republic of China (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 subject to PRC enterprise income tax that provide for a transitional period of 5 years commencing January 1, 2008 for the tax rate to reach 25%.

As for 中山聖馬丁電子元件有限公司, the PRC enterprise tax rate has changed to 25% starting from January 1, 2008. In late 2008, 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.

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.

The Group's European subsidiaries are subject to profit tax rates at range of 27.5% to 30%.

Tax arising in other jurisdictions are subject to applicable tax rates in the relevant jurisdictions.

### 6. DIVIDENDS

During the six months ended December 31, 2009, a final dividend of HK1.6 cents per share, amounting to HK\$8,908,000 was paid to shareholders for the year ended June 30, 2009. No dividend was paid during the six months ended December 31, 2008.

The directors have determined that an interim dividend of HK2.5 cents (2008: HK0.6 cents) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on April 9, 2010.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 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, 2009

## 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 July 1, 2009	Exercised during the period	Forfeited during the period	Outstanding at December 31, 2009
Directors	July 30, 2005	HK\$1.02	2,000,000	–	–	2,000,000
Employees	July 30, 2005	HK\$1.02	2,760,000	(60,000)	(200,000)	2,500,000
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
Employees	April 1, 2009	HK\$1.114	3,050,000	–	–	3,050,000
Total			11,960,000	(60,000)	(200,000)	11,700,000
Exercisable at the end of the period			5,310,000			7,125,000
Weighted average exercise price			HK\$1.35	HK\$1.02	HK\$1.02	HK\$1.33

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 Group has recognised the total expense of HK\$927,000 (7.1.2008 to 31.12.2008: HK\$808,000) in relation to share options granted by the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 8. EARNINGS PER SHARE

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

	<b>Six months ended December 31,</b>	
	<b>2009 HK\$'000</b>	<b>2008 HK\$'000</b>
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to owners of the Company	<b>41,531</b>	10,043
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>565,530,913</b>	556,722,000
Effect of dilutive potential ordinary shares in respect of share options	–	1,146,943
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>565,530,913</b>	557,868,943

No diluted earnings per share has been presented for the six months ended December 31, 2009 since the exercise price of the Company's share options were higher than the average market price per share for the Period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### **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, 2009 was not materially different from the fair value of the investment properties as at June 30, 2009. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the Period, the Group spent HK\$1,858,000 (7.1.2008 to 12.31.2008: HK\$5,815,000) on additions of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying amount of HK\$123,000 (7.1.2008 to 12.31.2008: HK\$2,402,000) resulting in a gain of HK\$15,000 (7.1.2008 to 12.31.2008: HK\$12,000).

For the purpose of impairment testing, goodwill is allocated to three individual cash-generating units ("CGU"). As the recoverable amount of a CGU is lower than the carrying value of the unit and an impairment loss on goodwill of HK\$3,055,000 was recognised for the unit during the period accordingly. The recoverable amount of the unit being impaired as of December 31, 2009 has been determined based on a value in use calculation using cash flow projections covered a five-year period at a discount rate of 8%. The key assumptions for the value in use calculation is the budgeted gross margin and budgeted revenue, which are determined based on the unit's past performance and management's expectation for the market development.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. The following is an analysis of trade receivables by age net of allowance for doubtful debt, presented based on the invoice date:

	<b>December 31, 2009 HK\$'000</b>	June 30, 2009 HK\$'000
0 – 30 days	<b>128,539</b>	96,371
31 – 60 days	<b>43,421</b>	33,487
61 – 90 days	<b>27,541</b>	19,522
91 – 180 days	<b>9,663</b>	14,662
More than 180 days	<b>–</b>	557
	<b>209,164</b>	164,599
Other receivables	<b>40,408</b>	26,447
Total trade and other receivables	<b>249,572</b>	191,046

During the Period, the directors reviewed the carrying amounts of certain long outstanding trade receivables and identified an impairment loss of HK\$1,276,000 (7.1.2008 to 12.31.2008: HK\$29,000) which has been recognised in the statement of comprehensive income.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 11. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on invoice date:

	<b>December 31, 2009 HK\$'000</b>	<b>June 30, 2009 HK\$'000</b>
0 – 30 days	<b>113,715</b>	102,884
31 – 60 days	<b>63,383</b>	50,231
61 – 90 days	<b>28,653</b>	28,782
91 – 180 days	<b>14,291</b>	13,246
181 – 365 days	<b>2,226</b>	324
	<b>222,268</b>	195,467
Other payables	<b>52,270</b>	40,843
Total trade and other payables	<b>274,538</b>	236,310

### 12. BANK BORROWINGS

During the current period, the Group raised and repaid bank loans in the amount of HK\$140,461,000 and HK\$141,999,000, respectively. The bank loans bear interest at prevailing market rate.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each Issued and fully paid		
At July 1, 2008, December 31, 2008 and June 30, 2009	556,722,000	55,672
Exercise of share options	60,000	6
Issue of shares (Note)	108,000,000	10,800
At December 31, 2009	<u>664,782,000</u>	<u>66,478</u>

Note: On December 17, 2009, the Company issued 108,000,000 new ordinary shares. The 108,000,000 new ordinary shares, together with 40,000,000 existing ordinary shares held by various shareholders, were transferred to a depositary bank as underlying for the issuance of 148,000,000 units of Taiwan Depository Receipts ("TDRs") on Taiwan Stock Exchange Corporation. The TDRs were offered at a price of NT\$8.00 (equivalent to HK\$1.92) per unit, where each unit of TDR represents one ordinary share of the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended December 31, 2009*

### 14. 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,	
	2009	2008
	HK\$'000	HK\$'000
Short-term employee benefits	5,726	7,063
Post-employment benefits	22	28
Share-based payments	60	50
	<b>5,808</b>	<b>7,141</b>

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.